

Sanford Florida



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2005**



CITY OF SANFORD, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

September 30, 2005

Prepared by:
Department of Finance

CITY OF SANFORD, FLORIDA
Comprehensive Annual Financial Report
Year Ended September 30, 2005

Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	vi
Principal Officials	vii
Certificate of Achievement for Excellence in Financial Reporting	viii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24

Statement of Fiduciary Net Assets – Fiduciary Funds.....	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	26
Notes to the Financial Statements.....	27
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	69
Schedule of Funding Progress – Defined Benefit Pension Trust Funds.....	70
Schedule of Contributions from the City and Other Contributing Entities – Defined Benefit Pension Trust Funds.....	71
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	73
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	75
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds.....	76
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund.....	81
Balance Sheet – Nonmajor Capital Projects Funds.....	82
Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	83
STATISTICAL SECTION:	
Table I General Governmental Expenditures by Function - Last Ten Fiscal Years.....	84
Table II General Governmental Revenues by Source - Last Ten Fiscal Years.....	85
Table IIA General Governmental Tax Revenues by Source - Last Ten Fiscal Years.....	86

Table III	Property Tax Levies and Collections - Last Ten Fiscal Years.....	87
Table IV	Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	88
Table V	Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years.....	89
Table VI	Principal Taxpayers.....	90
Table VII	Computation of Direct and Overlapping Debt - General Obligation Bonds.....	91
Table VIII	Revenue Bond Coverage - Water and Sewer Bonds - Last Ten Fiscal Years.....	92
Table IX	Demographic Statistics - Last Ten Fiscal Years.....	93
Table X	Property Value, Construction and Bank Deposits - Last Ten Fiscal Years.....	94
Table XI	Miscellaneous Statistics.....	95

COMPLIANCE SECTION:

	Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	96
	Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Awards Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	98
	Schedule of Findings and Questioned Costs – Federal Awards Programs.....	100
	Summary Schedule of Prior Audit Findings and Corrective Action Plan – Federal Awards Programs.....	103
	Schedule of Expenditures of Federal Awards.....	104
	Notes to Schedule of Expenditures of Federal Awards.....	105
	Independent Auditors' Management Letter.....	106



City of Sanford, Florida

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Financial Services

June 30, 2005

To the Honorable Mayor, City Commission and Citizens of the City of Sanford, Florida:

It is with great pleasure that we present the City of Sanford, Florida Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2005. State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

The report consists of management's representations concerning the finances of the City of Sanford. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Sanford has established a comprehensive internal control framework that is designated both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Sanford's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Sanford's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Sanford's financial statements have been audited by Cherry, Bekaert, & Holland, L.L.P., a firm of Licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sanford for the fiscal year ended September 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Sanford's financial statements for the fiscal year ended September 30, 2005 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Sanford's MD&A can be found immediately following the report of the independent auditors.

The City of Sanford is located in Central Florida in Seminole County, one of the fastest growing counties in the Nation. Nicknamed "Celery City" for its agricultural interest in the early 1900's, Sanford was incorporated in 1877 under the direction of General Henry Shelton Sanford. When Seminole County split from neighboring Orange County in 1913, the City of Sanford was named as the County Seat. Sanford is bounded in the East by Orlando-Sanford International Airport, in the North by Lake Monroe, in the West by Interstate 4, and in the South by Seminole Community College and the City of Lake Mary. The Sanford Commercial District was proclaimed a historic district and placed on the National Register in 1976. The Sanford Residential Historic District, an area of approximately 76 blocks south of the commercial district, was placed on the National Register in 1989. The St. James African Methodist Episcopal Church, erected in 1913, was designated a historic landmark in May, 1990.

A charter city, the legislative branch is composed of four single-district elected Commissioners and a citywide elected Mayor. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the commission-appointed City Manager. To effectively execute these policies, as well as to accommodate the unprecedented residential and commercial growth currently experienced by the City and its contiguous areas, the Commission has previously adopted a strategic plan, presented by the City Manager. The vision encompassed the following six major goals:

1. Every neighborhood in the City is a safe and friendly place to live and City residents have pride in their homes and neighborhoods.
2. The City's schools and businesses provide our residents with the opportunity to succeed in life.
3. The City's unique assets are unparalleled and enjoyed by residents and visitors alike.
4. City government, at all levels, has the vision and leadership to be successful.
5. Redevelop U.S. 17-92 to enhance the visual appearance and maintain vibrant businesses.
6. Initiate marketing, image building and public relations campaign to boost the City's image as a destination and vibrant place of commerce.

Additionally, the Commission has adopted a comprehensive plan, along with land development regulations, and various master plans. The City has established departmental work plans geared toward realizing the vision set forth in the strategic plan. The City is working cooperatively with Seminole County, Seminole County School Board and other area agencies in a cooperative effort to maximize the opportunities and minimize negative impacts of regional growth.

The City of Sanford provides a full range of services, including police and fire protection; construction and maintenance of streets and other infrastructure; recreation activities and cultural events; and water, wastewater and stormwater utilities. The City of Sanford is also financially accountable for three legally separate component units. The Sanford Airport Authority and Community Redevelopment Agency are presented as discrete

component units of the City, with the Sanford Finance Corporation presented as a blended component unit. Additional information on these legally separate entities can be found in notes to the financial statements. The annual budget serves as the foundation for the City of Sanford's financial planning and control. Department requests for appropriation are submitted to the City Manager, who uses these requests as the starting point for developing the proposed budget. The City Manager is required by City Charter to present the proposed budget to the City Commission for review on or before July 1. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. After adoption, the City Manager is authorized to approve transfers of appropriations within and/or between departments. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Sanford operates.

Local Economy. With the continuation of growth and development, the City has experienced a considerable increase in its ad valorem tax base during recent years.

Total assessed value:

City of Sanford		
Final Current Year Gross Taxable Value		
% Annual Change of Appraised Value		
	Value	
2005	2,115,889,862.00	
		19.05%
2004	1,777,280,165.00	
		10.94%
2003	1,602,086,553.00	
		6.87%
2002	1,499,149,233.00	
		12.70%
2001	1,330,245,755.00	
		11.74%

Major ad valorem taxpayers in the City include the Seminole Towne Center Regional Mall and Central Florida Regional Hospital. The City's population has also continued to increase to its current total of 49,252, making it the largest city in Seminole County as well as the 50th largest and 29th fastest growing city in the State of Florida. Population is a factor used in determining the City's distribution from the State Municipal Revenue Sharing Program.

Long-term Financial Planning. Through the budget process, the City Commission has continued its

commitment to maintaining or improving levels of service while enhancing the quality of life and promoting the health, safety and welfare of its citizens. Through the budget process, several projects are anticipated, many via non-operating funding sources; additionally, several additional projects are in the planning phase:

- ? Phase II of the RiverWalk Improvement Project.
- ? Marina North Shore Restoration.
- ? Construction of the final phase of St. John's Parkway.
- ? Restoration of Ft. Mellon Park.
- ? Continuation of sidewalk rehabilitation and pavement rehabilitation programs.
- ? Railroad crossing upgrades.
- ? Continuation of the Historic District street light program.
- ? City-wide stormwater drainage improvement project. (\$10M)
- ? Construction on the new \$12M water reclamation facility near the Airport.
- ? Continue construction of the Reclaimed Water Augmentation Project.
- ? Continuation of the First Street Streetscape.
- ? Construction of a new Public Safety Facility, subject to voters approval.

An analysis of future projects and services may be best obtained via review of the City's comprehensive plan, currently being updated. Upon completion, this plan will outline the goals, objectives and anticipated projects of the City and mechanisms for realization of such.

Cash Management Policies and Practices. Cash, other than that of pension trust funds, temporarily idle during the year, was invested in the State Board of Administration of Florida (SBA). Total interest earned from the SBA for all funds for the fiscal year was \$1,196,759 with interest rates ranging from 1.82% to 3.79% and an average rate of 2.74%. Total SBA investments for the primary government only at September 30, 2005 were \$36,419,003. SBA's portfolio for local governments does not use leverage in its investing practices nor does it own derivatives. Investment instruments typically have a short average maturity, reducing interest rate sensitivity.

The Police Officers' Retirement Fund investments are managed by various investment managers who specialize in specific types of investments (e.g., fixed income, growth equities, income equities, and international equities). Salem Trust Company serves as custodian for the Police Officers' Retirement Fund. The Firefighters' Retirement Fund investments are managed by Trusco Capital Management with SunTrust serving as custodian. The Police Officers' investment portfolio includes mutual funds, domestic stocks, corporate bonds, U.S. Treasury Bonds, and international stocks with a combined market value of \$20,484,303, at September 30, 2005. The Firefighters' investment portfolio includes the same type instruments, with the exception of international stocks, with a combined market value of \$13,019,396, at September 30, 2005. The rate of return net of investment related expenses for fiscal year 2005 was 10.19% for the Police Officers' Fund and 5.70% for the Firefighters' Fund.

Risk Management. The City added a Risk Management division in January, 2001. During this time frame, the City has enjoyed a steady decline in the number of worker's compensation claims.

In the current fiscal year, the City is self-insured for worker's compensation with a self-insured retention of

\$200,000 per claim, but carries excess worker's compensation insurance coverage to cover any costs in excess of \$200,000 for any one claim. The self-insured program is administered by Johns Eastern Company, Inc.

The City's Health Insurance program is a self-insured program with a \$100,000 deductible per year, but carries an excess health insurance policy to cover claims costs in excess of \$100,000 per year. The plan is administered by Blue Cross Blue Shield of Florida.

All general liability, automobile liability, automobile physical damage and property insurance is fully insured through a division of the Florida League of Cities and each line of coverage has a \$25,000 deductible as opposed to a self-insured retention.

Risk Management is also active in other insurance coverage, such as bonds, flood insurance, special events coverage, fiduciary liability, etc., as well as being very active in claims investigations and administration.

Pension and Other Post-employment Benefits. The City of Sanford sponsors a single-employer defined benefit pension plan for its police officers and a single-employer defined benefit pension plan for its firefighters. Each year, an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the City of Sanford must make to each plan to ensure that the plans will be able to fully meet their obligations to retired employees on a timely basis. In accordance with state statutes and local ordinances, the City of Sanford fully funds each year's annual required contribution to each pension plan as determined by the actuary. In addition to the City's contribution, police officers and firefighters make a 5.1% and 7% contribution of salary, respectively. Further, the State of Florida contributes funds collected from insurance premium excise taxes.

The City of Sanford also contributes to the Florida Retirement System (FRS), a multiple-employer cost sharing defined benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees other than police officers and firefighters. The Airport Authority also participates in the FRS. The City of Sanford has no obligation in connection with employee benefits offered through this plan beyond its annual required payment to the FRS.

The City of Sanford also provides postretirement health and life insurance benefits for certain retirees. As of the end of the current fiscal year, there were 84 retired employees receiving health benefits and 125 receiving life insurance benefits, both of which are financed on a pay as you go basis. Additional information on the City of Sanford's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sanford for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2004. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

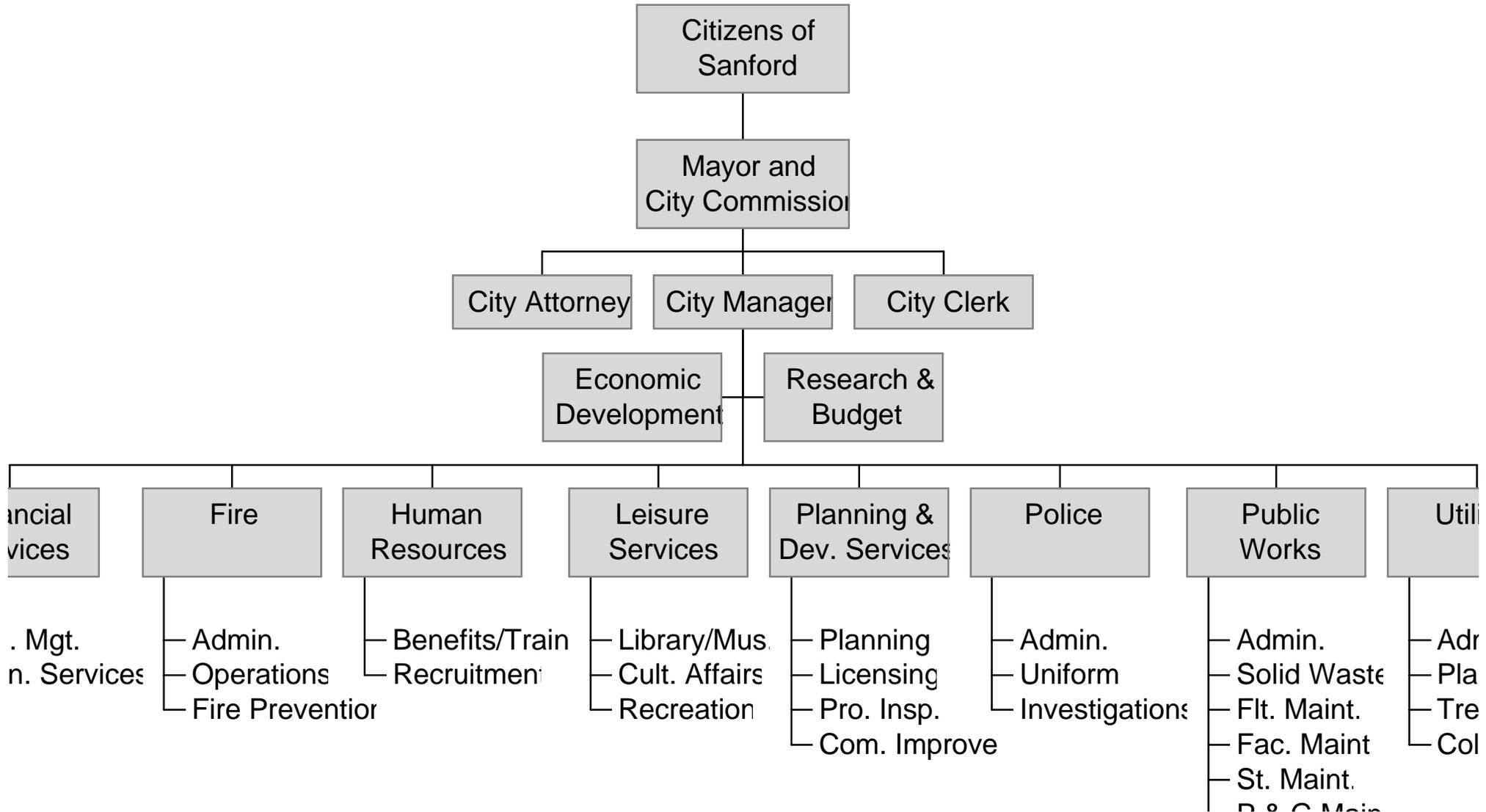
The preparation of this report would not have been possible without the efficient and dedicated services of the Financial Services Team. We would like to express our appreciation to all members of other departments within the City who assisted and contributed to the preparation of this report and to our accounting firm, Cherry, Bekaert and Holland, L.L.P. Credit must also be given to the Mayor and City Commission for their unfailing support and steadfast commitment to maintaining the financial integrity of the City. With their continued leadership, the City can look forward to a secure financial future.

Respectfully submitted,

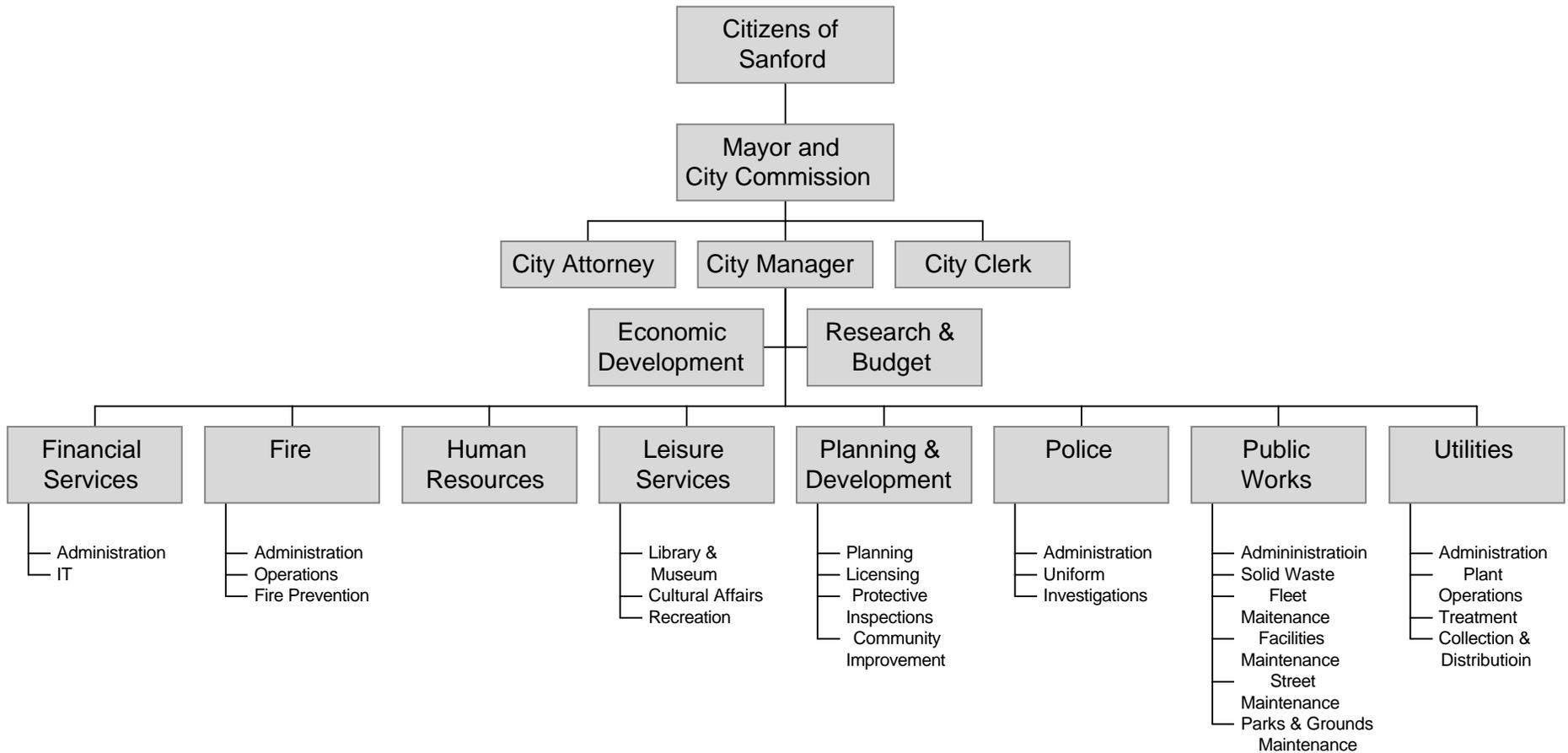
Robert (Sherman) Yehl
City Manager

Paul I. Davis
Interim Director

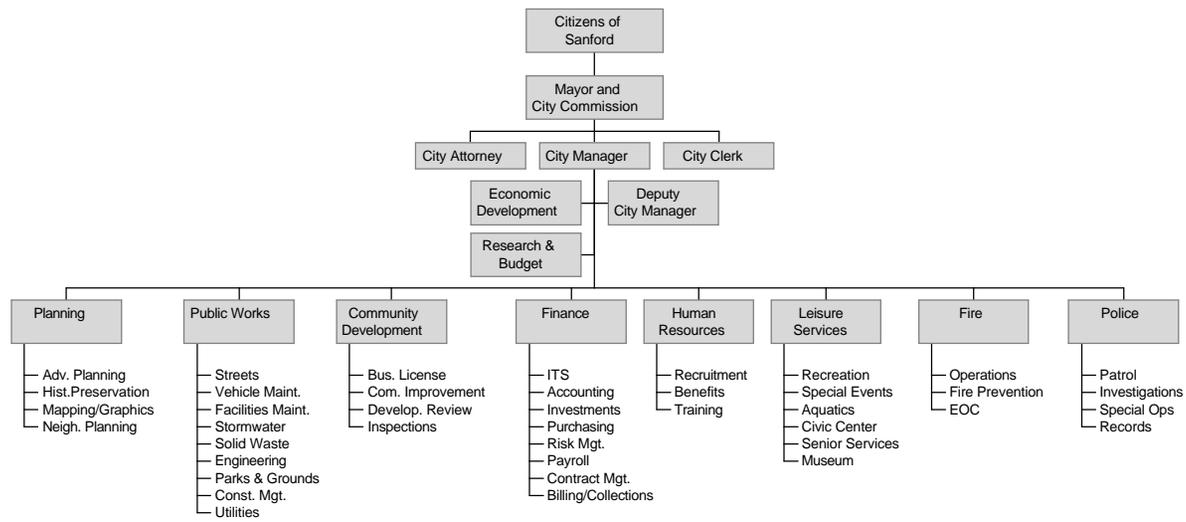
City of Sanford Organization Chart



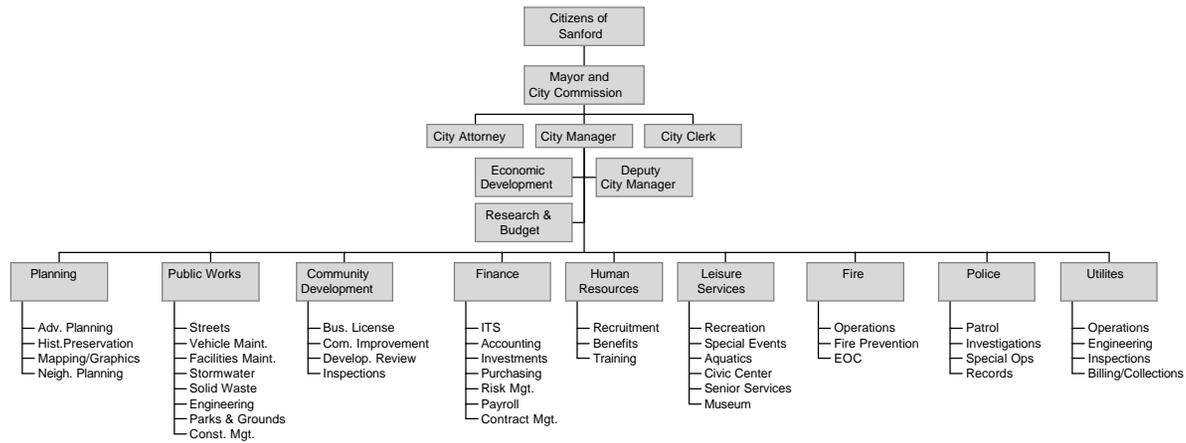
City of Sanford Organization Chart



City of Sanford Organization Chart



City of Sanford Organization Chart



INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanford, Florida (the "City"), as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Sanford Airport Authority, which represents 100% of the assets and revenues of the Component Unit - Airport Authority column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Sanford Airport Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis section on pages 3 - 14 and the budgetary comparison information and pension disclosures on pages 69 - 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Orlando, Florida
June 29, 2006

Management's Discussion and Analysis

As management of the City of Sanford (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vi of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$144,782,911 (net assets). Of this amount, \$20,261,383 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$10,247,474.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,429,702, an increase of \$6,911,327 in comparison with the prior year. Approximately 99 percent of this total amount, \$19,200,892, is available for spending at the government's discretion (unreserved fund balance).
- Net assets of the Police Officers' and Firefighter's Pension Trust Funds increased by \$2,116,236 and \$556,486, respectively. These increases were attributable to an increase in the fair value of investments as well as employer and plan member contributions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community and economic development, planning and zoning, construction services, building permits, police, fire, public works, federal housing programs, engineering services, health and sanitation, museum, and parks and recreation. The business-type activities of the City include the water and sewer utility and the stormwater utility.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate community redevelopment agency and a legally separate airport authority, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Sanford Finance Corporation, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of

the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, and the Riverwalk Capital Projects Fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and certain Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget and is presented as required supplemental information.

The governmental fund financial statements can be found on pages 17 - 20 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and stormwater operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its risk management activities. Because services accounted for in an internal service fund predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Stormwater Fund. The internal service fund is presented with the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 21 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 25 - 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, and is required by accounting principles generally accepted in the United States of America. The notes to the financial statements can be found on pages 27 - 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found on pages 69 - 71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 72 - 83 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$144,782,911 at the close of the most recent fiscal year.

A significant portion of the City's net assets (77%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9%) represents resources that are subject to external restrictions on how they may be used. This would include unspent bond proceeds referred to above. The remaining balance of unrestricted net assets (\$20,062,439) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Following is a summary of the City's Net Assets, with prior year comparative amounts, as found on page 15 of this report:

City of Sanford's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other Assets	\$ 25,536,137	\$ 23,546,713	\$ 20,264,612	\$ 27,283,498	\$ 45,800,749	\$ 50,830,211
Capital assets, net	37,618,287	35,569,786	115,592,593	102,299,922	153,210,880	137,869,708
Total assets	<u>63,154,424</u>	<u>59,116,499</u>	<u>135,857,205</u>	<u>129,583,420</u>	<u>199,011,629</u>	<u>188,699,919</u>
Long-term liabilities outstanding	6,742,471	5,261,737	40,254,220	41,908,447	46,996,691	47,170,184
Other liabilities	2,687,255	4,039,247	4,544,772	2,955,051	7,232,027	6,994,298
Total liabilities	<u>9,429,726</u>	<u>9,300,984</u>	<u>44,798,992</u>	<u>44,863,498</u>	<u>54,228,718</u>	<u>54,164,482</u>
Net assets:						
Invested in capital assets, net of related debt	36,293,287	34,149,786	75,632,685	60,689,258	111,925,972	94,839,044
Restricted	2,507,199	1,869,556	10,088,357	9,331,175	12,595,556	11,200,731
Unrestricted	14,924,212	13,796,173	5,337,171	14,699,489	20,261,383	28,495,662
Total net assets	<u>\$ 53,724,698</u>	<u>\$ 49,815,515</u>	<u>\$ 91,058,213</u>	<u>\$ 84,719,922</u>	<u>\$ 144,782,911</u>	<u>\$ 134,535,437</u>

Governmental activities. Governmental activities increased the City's net assets by \$3,909,183, thereby accounting for 44 percent of the total growth in the net assets of the City. Key elements of this change are as follows:

City of Sanford's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 8,607,070	\$ 7,885,229	\$ 15,135,915	\$ 15,143,329	\$ 23,742,985	\$ 23,028,558
Operating grants and contributions	902,393	5,719,081	-	-	902,393	5,719,081
Capital grants and contributions	2,433,016	3,787,831	4,870,311	5,675,786	7,303,327	9,463,617
General revenues:						
Property taxes	10,265,319	9,482,890	-	-	10,265,319	9,482,890
Other taxes	14,835,278	16,047,008	-	-	14,835,278	16,047,008
Grants and contributions not restricted to specific programs						
Other	1,289,885	812,723	624,856	286,498	1,914,741	1,099,221
Total Revenues	38,332,961	43,734,762	20,631,082	21,105,613	58,964,043	64,840,375
Expenses:						
General government	5,493,840	4,068,177	-	-	5,493,840	4,068,177
Public safety	16,278,723	15,489,064	-	-	16,278,723	15,489,064
Transportation	3,596,788	7,705,005	-	-	3,596,788	7,705,005
Physical environment	3,976,155	3,049,805	-	-	3,976,155	3,049,805
Economic environment	622,378	398,016	-	-	622,378	398,016
Human services	127,688	520,668	-	-	127,688	520,668
Culture/recreation	3,913,527	3,839,755	-	-	3,913,527	3,839,755
Interes on long-term debt	76,974	-	-	-	-	-
Water & Sewer	-	-	12,960,434	11,961,279	12,960,434	11,961,279
Stormwater	-	-	1,670,062	1,462,879	1,670,062	1,462,879
Total Expenses	34,086,073	35,070,490	14,630,496	13,424,158	48,716,569	48,494,648
Increase in net assets before transfers	4,246,888	8,664,272	6,000,586	7,681,455	10,247,474	16,345,727
Transfers	(337,705)	(11,500)	337,705	11,500	-	-
Increase in net assets	3,909,183	8,652,772	6,338,291	7,692,955	10,247,474	16,345,727
Net assets - Beginning	49,815,515	41,162,743	84,719,922	77,026,967	134,535,437	118,189,710
Net assets - Ending	\$ 53,724,698	\$ 49,815,515	\$ 91,058,213	\$ 84,719,922	\$ 144,782,911	\$ 134,535,437

Charges for services, which comprised 22 percent of the City's revenues, increased by \$721,841. This was mainly attributable to building and other permit fee revenue.

Operating grants and contributions, which comprised 2 percent of the City's revenues, decreased by \$4,816,688 due primarily to hurricane recoveries received during prior year.

Property taxes, which comprised 27 percent of the City's revenues, increased by \$782,429. This was attributable to growth and appreciation in the gross taxable values of real, personal

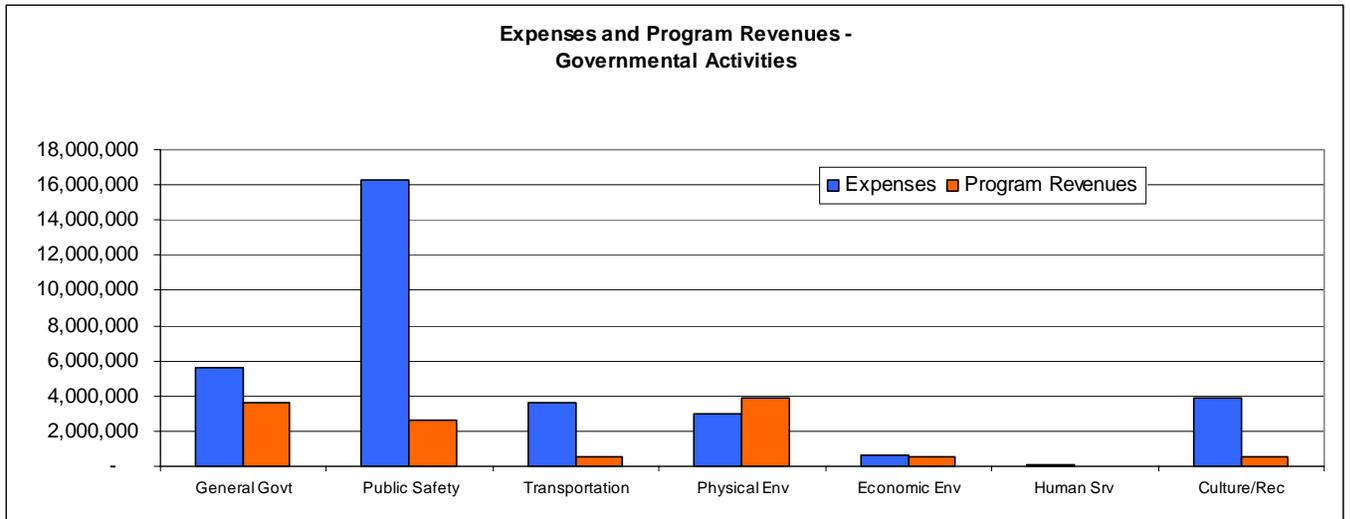
and centrally assessed property for operating purposes. The large decrease in other taxes was a result of the completion of special projects. The Riverwalk project and the East West Connector Road project were completed in fiscal year 2004. These projects were partially funded by the City's portion of the second generation 1 cent sales tax. The funding amount received in FY2004 for the Riverwalk project and the East West Connector Road were \$1,877,000 and \$793,383, respectively.

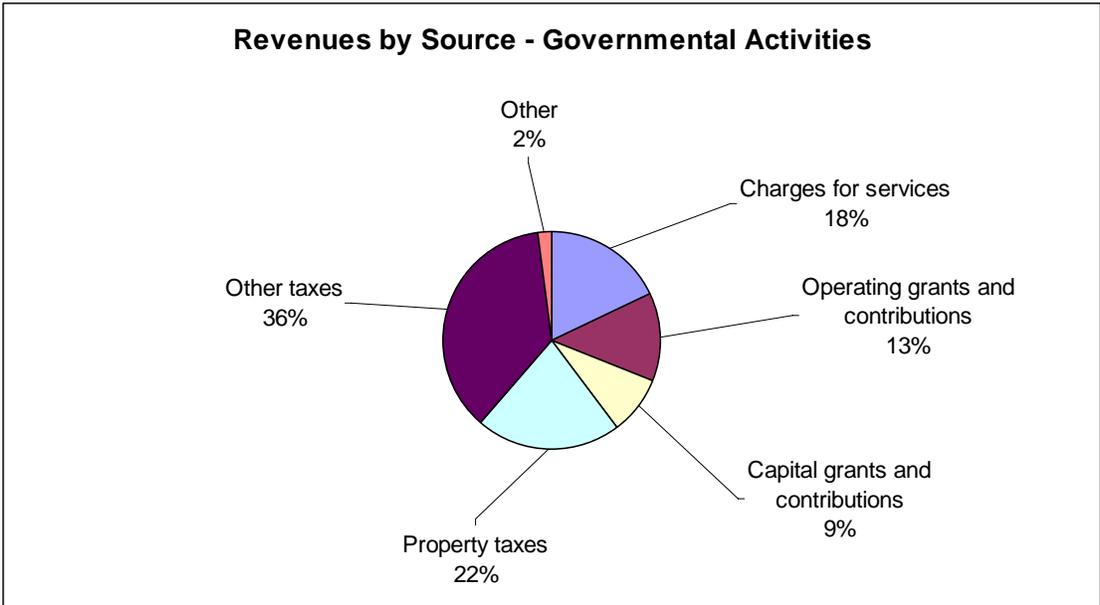
The completion of these projects also affected the other grants and contributions revenues. These projects were funded from multiple sources, such as taxes and grants.

Overall, expenses increased during the year. Total expenses were \$33,062,041 compared to \$29,789,617 (net of hurricane related costs of \$5,280,873) in the prior fiscal year. This is an increase of \$3,272,424 or 11 percent.

Public safety expenses of \$16,278,723 comprised 49 percent of the total governmental activities expenses of \$33,062,041. Police and Fire, which encompassed the majority of public safety expenses, were approximately \$10,229,800 and \$6,048,923, respectively.

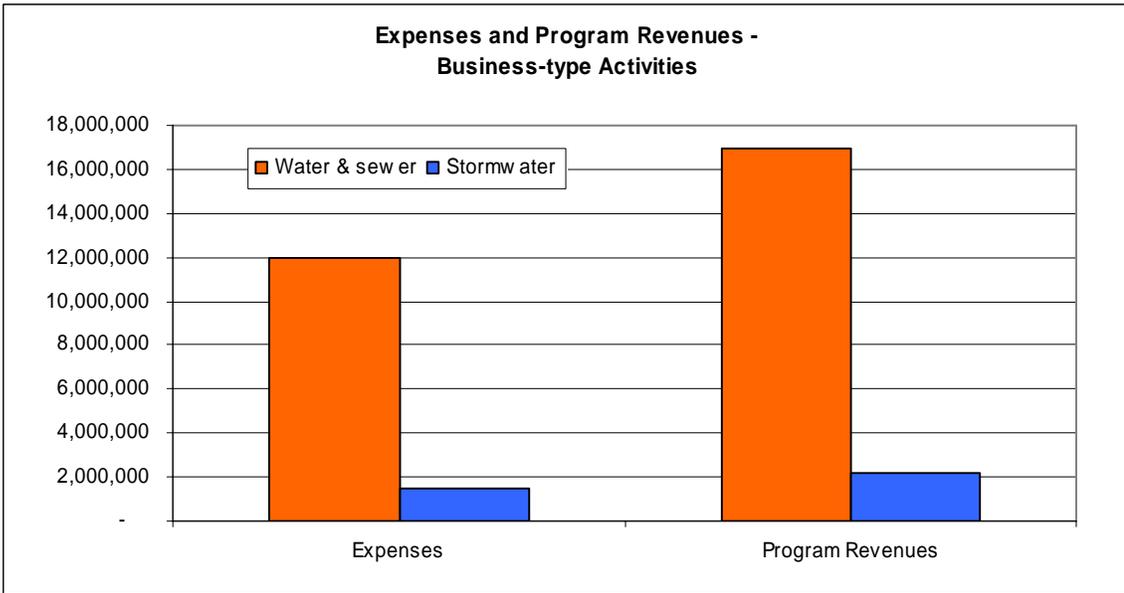
Transportation expenses of \$3,596,788 comprised 11 percent of the total governmental activities expenses of \$33,062,041. The decrease in transportation expenses is a result large amount of hurricane related expenses incurred in fiscal year 2004.

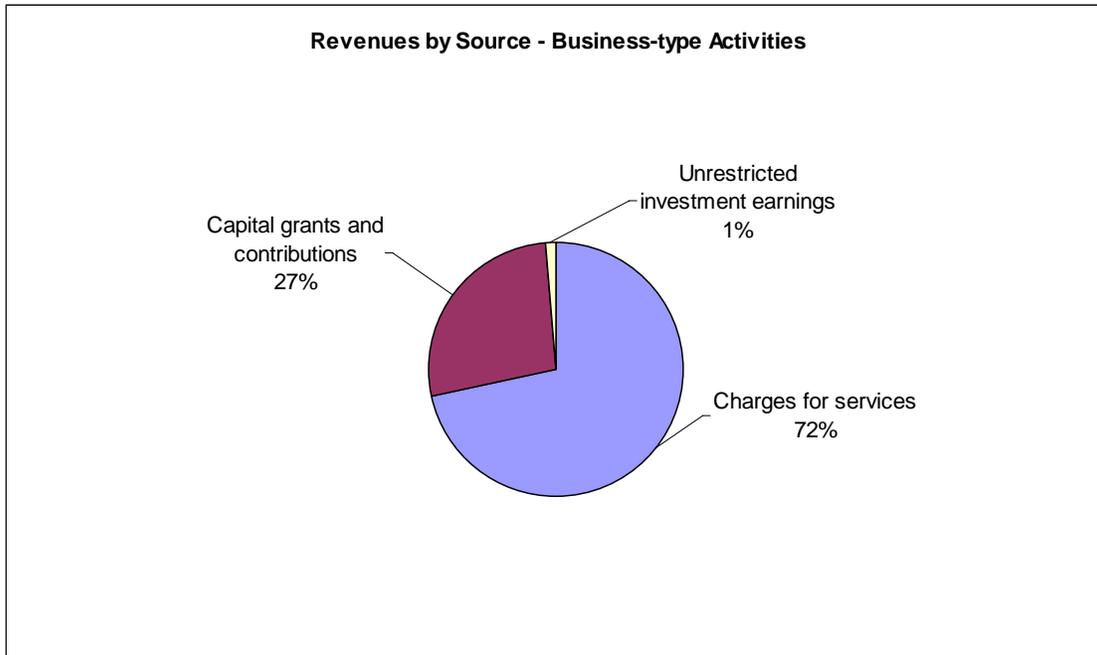




Business-type activities. Business-type activities increased the City's net assets by \$6,338,291 thereby accounting for 53 percent of the total growth in the City's net assets.

Charges for services of \$15,135,915 only increased over the prior year total of \$15,143,329 by \$2,917, or less than 1% percent. This was due to the aftermath of the hurricanes of FY2004. Impact fees for water and sewer development totaled \$2,183,047 and grants related to reclaimed water amounted to \$442,257.





Financial Analysis of the Fund Financial Statements (pages 17 - 26)

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$16,050,734, while the total fund balance was \$16,227,834. Of the unreserved fund balance of the general fund, 1) \$8,668,209 was designated for emergencies, and 2) \$7,559,625 was available for new spending. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 48.5 percent of total general fund expenditures, while total fund balance represented 49.0 percent of the same amount.

The fund balance of the City's General Fund increased by \$6,104,327 during the most recent fiscal year. This increase was due primarily to the reimbursement from FEMA of a portion of fund balance for various reimbursable hurricane related expenditures during the prior year.

Proprietary funds. The City's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail.

Unrestricted net assets of the Water & Sewer Fund at the end of the year amounted to \$3,450,238 and those for the stormwater fund at the end of the year amounted to \$1,886,933. There was a decrease of \$10,030,335 in unrestricted assets in the Water and Sewer Fund due to increase in projects such as the new wastewater facility going in near the Airport. There was an increase of \$666,704 in the Stormwater Fund of the unrestricted net assets.

General Fund Budgetary Highlights

The general fund budget was increased by \$5,588,682 from the original budget (an increase of 20%) and included the following significant changes:

- \$1,641,457 in increases to general government
- \$1,839,983 in increases to public safety
- \$878,334 in increases to transportation
- \$164,417 in increases to physical environment
- \$22,464 in increases to economic environment
- \$3,876 in increases to human services
- \$1,038,151 in increases to culture & recreation

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2005, amounted to \$111,925,972 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 12 percent (a 13 percent increase for governmental activities and a 6 percent increase for business-type activities).

Pursuant to GASB 34, an extended period of deferral (FY 2007) is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, sidewalks and similar items) acquired before the implementation date becomes effective. The City currently intends to defer implementation until FY 2007. GASB 34 requires the reporting and depreciation of new infrastructure effective with the beginning of the implementation year (October 1, 2002).

Major capital asset events during the current fiscal year include the following significant capital projects underway and included in construction in progress at September 30, 2005:

Business-type Activities	
Airport Waste Water Plant	\$5,186,184.28
Reclaimed Water	1,104,100
Headworks	2,052,704
Airport Lift Station	1,352,187
Airport Blvd Phase III	491,087
East Lake Mary Blvd	1,746,262

The City's capital assets include the following:

	City of Sanford's Capital Assets					
	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,990,013	\$ 1,786,519	\$ 6,564,810	\$ 6,214,009	\$ 8,554,823	\$ 8,000,528
Buildings & Improvements	30,537,793	29,666,596	4,021,116	4,155,361	34,558,909	33,821,957
Water & Sewer System	-	-	76,528,598	74,984,547	76,528,598	74,984,547
Stormwater Mgmt System	-	-	6,845,176	6,981,547	6,845,176	6,981,547
Equipment	5,090,481	4,116,671	2,603,523	2,405,716	7,694,004	6,522,387
Construction in progress	-	-	19,029,370	7,558,742	19,029,370	7,558,742
Total	<u>\$ 37,618,287</u>	<u>\$ 35,569,786</u>	<u>\$ 115,592,593</u>	<u>\$ 102,299,922</u>	<u>\$ 153,210,880</u>	<u>\$ 137,869,708</u>

Additional information on the City's capital assets can be found in Note 5 in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had a total bonded debt outstanding of \$26,758,300, secured solely by specified revenue sources (i.e., revenue bonds). Governmental and business type activities totaled \$1,325,000 and \$25,433,300 respectively. Governmental activities represent a 2000 issue for renovation to Historic Sanford Memorial Stadium. Business type activities represent refunding issues on prior water and sewer system construction debt.

**City of Sanford's Outstanding Debt
Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds	\$ 1,325,000	\$ 1,420,000	\$ 25,291,728	\$ 26,403,300	\$ 26,616,728	\$ 27,823,300

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Overall Financial Position

The City's primary government's overall financial position is sound. Total assets have increased by \$16,058,536 to \$199,011,629. Major components of this increase are current assets, including cash of \$3,094,470 and due from other governments of \$3,294,272, and capital assets of \$9,667,471. Total liabilities have decreased by \$959,796 to \$54,228,718. Increase in accounts payable of \$401,430 has been offset by decreases of accrued liabilities and long term liabilities totaling \$1,668,194. Current ratio, which reflects the ability of the City to meet short-term obligations, remains strong at 6.37, a slight decrease from last year's ratio of 7.12.

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when adopting the fiscal year 2006 budget and approving the fiscal year 2007 budget. While the financial position of the City remains sound, maintaining a balance between recurring revenues and costs continues to be an area of concern. Ad valorem revenues have increased. However, with the need for an upgrade to current technology and competitive personnel compensation, it will be a challenge for General Fund Revenues to keep pace with growing costs of government services.

The City implemented a rate increase for its water and sewer fund in January 2002. This increase includes annual indexing through fiscal year 2006. A current study has been commissioned to determine additional rate increases in the water/sewer fund. Also, a study of current impact fees has been commissioned. Additionally, a stormwater fee increase was implemented in October 2003 with annual indexing through fiscal year 2007.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, P.O. Box 1788, Sanford, Florida 32772-1788.

BASIC FINANCIAL STATEMENTS

CITY OF SANFORD, FLORIDA

**Statement of Net Assets
September 30, 2005**

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total Primary Government	Sanford CRA	Airport Authority
Assets					
Cash and cash equivalents	\$ 21,649,016	\$ 5,159,738	\$ 26,808,754	\$ 860,643	\$ 3,419,548
Investments	-	-	-	-	1,802,645
Accounts receivable - net	993,065	1,635,050	2,628,115	-	843,142
Due from other governments	2,471,926	1,145,374	3,617,300	2,091	357,378
Inventories	141,477	-	141,477	-	-
Prepaid items and other assets	198,663	-	198,663	-	44,377
Restricted cash and cash equivalents	81,990	11,369,850	11,451,840	9,983	10,192
Irrigation rights, net	-	954,600	954,600	-	-
Capital assets:					
Nondepreciable	1,990,013	25,594,180	27,584,193	-	18,024,549
Depreciable	35,628,274	89,998,413	125,626,687	2,648,336	83,299,887
Total assets	63,154,424	135,857,205	199,011,629	3,521,053	107,801,718
Liabilities					
Accounts payable	1,365,499	3,034,422	4,399,921	9,088	923,218
Accrued liabilities	640,030	88,707	728,737	-	125,767
Accrued interest payable	-	185,480	185,480	85,628	-
Due to other governments	4,550	3,016	7,566	-	-
Unearned revenues	595,186	137,134	732,320	-	730,735
Liabilities payable from restricted assets	81,990	1,096,013	1,178,003	-	-
Long-term liabilities:					
Due in less than one year	866,512	2,885,063	3,751,575	645,000	3,235,057
Due in more than one year	5,875,959	37,369,157	43,245,116	6,362,690	16,673,719
Total liabilities	9,429,726	44,798,992	54,228,718	7,102,406	21,688,496
Net assets					
Invested in capital assets, net of related debt	36,293,287	75,632,685	111,925,972	(4,359,354)	81,415,660
Restricted for:					
Debt service	-	10,088,357	10,088,357	-	-
Public safety	880,692	-	880,692	-	-
Culture and recreation	986,729	-	986,729	-	-
Transportation	639,778	-	639,778	-	-
Airport Memorial Fund	-	-	-	-	10,192
Unrestricted	14,924,212	5,337,171	20,261,383	778,001	4,687,370
Total net assets	\$ 53,724,698	\$ 91,058,213	\$ 144,782,911	\$ (3,581,353)	\$ 86,113,222

CITY OF SANFORD, FLORIDA
Statement of Activities
Year Ended September 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating	Capital	Primary Government		Component Units		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Sanford CRA	Airport Authority
Primary government:									
Governmental activities:									
General government	\$ 5,493,840	\$ 2,105,045	\$ -	\$ 1,557,428	\$ (1,831,367)	\$ -	\$ (1,831,367)	\$ -	\$ -
Public safety	16,278,723	2,267,036	206,409	192,161	(13,613,117)	-	(13,613,117)	-	-
Transportation	3,596,788	55,196	60,907	464,603	(3,016,082)	-	(3,016,082)	-	-
Physical environment	3,976,155	3,926,527	-	-	(49,628)	-	(49,628)	-	-
Economic environment	622,378	-	556,155	-	(66,223)	-	(66,223)	-	-
Human services	127,688	-	-	-	(127,688)	-	(127,688)	-	-
Culture/recreation	3,913,527	253,266	78,922	218,824	(3,362,515)	-	(3,362,515)	-	-
Interest on long-term debt	76,974	-	-	-	(76,974)	-	(76,974)	-	-
Total governmental activities	34,086,073	8,607,070	902,393	2,433,016	(22,143,594)	-	(22,143,594)	-	-
Business-type activities:									
Water and sewer	12,960,434	12,875,597	-	4,818,704	-	4,733,867	4,733,867	-	-
Stormwater	1,670,062	2,260,318	-	51,607	-	641,863	641,863	-	-
Total business-type activities	14,630,496	15,135,915	-	4,870,311	-	5,375,730	5,375,730	-	-
Total primary government	\$ 48,716,569	\$ 23,742,985	\$ 902,393	\$ 7,303,327	(22,143,594)	5,375,730	(16,767,864)	-	-
Component unit:									
Sanford CRA	\$ 435,065	\$ -	\$ -	\$ -	-	-	-	(435,065)	-
Airport Authority	11,548,159	8,211,237	-	16,342,885	-	-	-	-	13,005,963
Total component unit	\$ 11,983,224	\$ 8,211,237	\$ -	\$ 16,342,885	-	-	-	(435,065)	13,005,963
General revenues:									
Property taxes					10,265,319	-	10,265,319	811,134	-
Other taxes					14,835,278	-	14,835,278	-	-
Unrestricted investment earnings					573,712	580,275	1,153,987	43,742	110,537
Gain on sale of capital assets					3,495	8,231	11,726	-	-
Miscellaneous					712,678	36,350	749,028	645,140	1,010,568
Transfers					(337,705)	337,705	-	-	-
Total general revenues and transfers					26,052,777	962,561	27,015,338	1,500,016	1,121,105
Change in net assets					3,909,183	6,338,291	10,247,474	1,064,951	14,127,068
Net assets - beginning					49,815,515	84,719,922	134,535,437	(4,646,304)	71,986,154
Net assets - ending					\$ 53,724,698	\$ 91,058,213	\$ 144,782,911	\$ (3,581,353)	\$ 86,113,222

CITY OF SANFORD, FLORIDA

**Balance Sheet
Governmental Funds
September 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 16,155,126	\$ 3,085,644	\$ 19,240,770
Accounts receivable - net	896,875	220	897,095
Due from other governments	2,270,738	201,188	2,471,926
Inventories	141,477	-	141,477
Prepaid items	19,254	-	19,254
Restricted cash and cash equivalents	81,990	-	81,990
Total assets	\$ 19,565,460	\$ 3,287,052	\$ 22,852,512
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,282,473	\$ 83,026	\$ 1,365,499
Accrued liabilities	637,780	2,158	639,938
Due to other funds	92	-	92
Due to other governments	4,550	-	4,550
Unearned revenue	1,330,741	-	1,330,741
Liabilities payable from restricted assets	81,990	-	81,990
Total liabilities	3,337,626	85,184	3,422,810
Fund balances:			
Reserved for inventories	141,477	-	141,477
Reserved for prepaid items	19,623	-	19,623
Reserved for long-term due from other governments	16,000	-	16,000
Reserved for escrow deposit	-	51,710	51,710
Unreserved, reported in:			
General fund	16,050,734	-	16,050,734
Special revenue funds	-	3,018,881	3,018,881
Capital project funds	-	131,277	131,277
Total fund balances	16,227,834	3,201,868	19,429,702
Total liabilities and fund balances	\$ 19,565,460	\$ 3,287,052	\$ 22,852,512

CITY OF SANFORD, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds		\$ 19,429,702
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	\$ 1,990,013	
Buildings and improvements, net of \$8,082,787 accumulated depreciation	30,537,793	
Equipment, net of \$12,914,037 accumulated depreciation	<u>5,090,481</u>	
Total capital assets, net		37,618,287
The Internal service fund is used to account for the City's risk management costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
		990,430
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Bonds payable	\$ (1,325,000)	
Compensated absences	(1,468,890)	
Accrued clean-up and long-term care costs	<u>(2,255,386)</u>	
Total long-term liabilities		(5,049,276)
Amounts to be collected under long-term receivables are not available to pay for the current period's expenditures, and therefore are reported as deferred in the funds.		
		<u>735,555</u>
Net assets of governmental activities		<u>\$ 53,724,698</u>

CITY OF SANFORD, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 19,164,566	\$ 993,745	\$ 20,158,311
Licenses and permits	1,564,134	-	1,564,134
Intergovernmental revenues	11,336,986	1,020,758	12,357,744
Charges for services	5,536,651	-	5,536,651
Fines and forfeitures	223,849	64,616	288,465
Impact fees	-	386,490	386,490
Contributions	38,922	-	38,922
Interest earnings	510,889	62,823	573,712
Administrative services	1,060,279	-	1,060,279
Miscellaneous revenue	654,821	32,256	687,077
Total revenues	40,091,097	2,560,688	42,651,785
Expenditures			
Current:			
General government	5,481,117	-	5,481,117
Public safety	15,178,621	89,694	15,268,315
Transportation	2,739,431	398,449	3,137,880
Physical environment	2,947,732	-	2,947,732
Economic environment	70,288	538,574	608,862
Human services	146,596	-	146,596
Culture/Recreation	3,338,335	985	3,339,320
Capital outlay	3,196,151	1,104,920	4,301,071
Principal	-	95,000	95,000
Interest and fiscal charges	-	76,860	76,860
Total expenditures	33,098,271	2,304,482	35,402,753
Excess of revenues over expenditures	6,992,826	256,206	7,249,032
Other financing sources (uses)			
Transfers in	-	550,794	550,794
Transfers out	(888,499)	-	(888,499)
Total other financing sources (uses)	(888,499)	550,794	(337,705)
Net change in fund balances	6,104,327	807,000	6,911,327
Fund balance - beginning	10,123,507	2,394,868	12,518,375
Fund balance - ending	\$ 16,227,834	\$ 3,201,868	\$ 19,429,702

CITY OF SANFORD, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended September 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 6,911,327

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation in the current period.

Capitalized capital outlay	\$ 4,301,071	
Depreciation	<u>(2,252,570)</u>	
		2,048,501

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.

Bonds	\$ 95,000	
Compensated absences	21,161	
Long-term care costs	19,439	
Accrued clean-up costs	<u>(1,024,032)</u>	
		(888,432)

The net revenue of the internal service fund is reported with governmental activities. 156,613

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the additional revenue recognized under the full accrual basis.

(4,318,826)

Change in net assets of governmental activities \$ 3,909,183

CITY OF SANFORD, FLORIDA

**Statement of Net Assets
Proprietary Funds
September 30, 2005**

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water and Sewer	Stormwater	Total Enterprise	Internal Service
Assets				
Current assets				
Cash and cash equivalents	\$ 3,240,387	\$ 1,919,351	\$ 5,159,738	\$ 2,408,246
Accounts receivable	1,984,293	126,502	2,110,795	95,970
Allowance for estimated uncollectibles	(435,409)	(40,336)	(475,745)	-
Due from other governments	1,145,374	-	1,145,374	-
Prepaid items	-	-	-	179,409
Restricted cash and cash equivalents	2,173,544	-	2,173,544	-
Total current assets	8,108,189	2,005,517	10,113,706	2,683,625
Noncurrent assets				
Restricted cash and cash equivalents	9,196,306	-	9,196,306	-
Property, plant and equipment				
Land	5,050,202	1,514,608	6,564,810	-
Buildings and improvements	4,448,909	1,161	4,450,070	-
Water and sewer system	95,583,635	-	95,583,635	-
Stormwater management system	-	9,845,244	9,845,244	-
Equipment	5,820,279	1,586,810	7,407,089	-
	110,903,025	12,947,823	123,850,848	-
Less accumulated depreciation	(23,131,445)	(4,156,180)	(27,287,625)	-
	87,771,580	8,791,643	96,563,223	-
Construction in progress	18,600,102	429,268	19,029,370	-
Total property, plant and equipment	106,371,682	9,220,911	115,592,593	-
Other assets				
Irrigation rights, net	954,600	-	954,600	-
Total other assets	954,600	-	954,600	-
Total assets	\$ 124,630,777	\$ 11,226,428	\$ 135,857,205	\$ 2,683,625

CITY OF SANFORD, FLORIDA
Statement of Net Assets (continued)
Proprietary Funds
September 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water and Sewer	Stormwater	Total Enterprise	Internal Service
Liabilities and net assets				
Current liabilities payable from current assets				
Accounts payable	\$ 2,951,254	\$ 83,168	\$ 3,034,422	\$ -
Accrued liabilities	77,124	11,583	88,707	-
Accrued compensated absences	42,067	2,789	44,856	-
Unearned revenue	137,134	-	137,134	-
Due to other governments	3,016	-	3,016	-
Claims payable, current	-	-	-	87,756
Current liabilities payable from restricted assets				
Accrued interest payable	185,480	-	185,480	-
Bonds payable, current	990,000	316,391	1,306,391	-
Notes, loans and contracts payable, current	1,533,816	-	1,533,816	-
Customer deposits	1,096,013	-	1,096,013	-
Total current liabilities	<u>7,015,904</u>	<u>413,931</u>	<u>7,429,835</u>	<u>87,756</u>
Noncurrent liabilities				
Accrued compensated absences	228,412	21,044	249,456	-
Bonds payable	22,391,500	1,593,837	23,985,337	-
Notes, loans and contracts payable	12,492,176	642,188	13,134,364	-
Claims payable	-	-	-	1,605,439
Total noncurrent liabilities	<u>35,112,088</u>	<u>2,257,069</u>	<u>37,369,157</u>	<u>1,605,439</u>
Total liabilities	<u>42,127,992</u>	<u>2,671,000</u>	<u>44,798,992</u>	<u>1,693,195</u>
Net assets				
Invested in capital assets, net of related debt	68,964,190	6,668,495	75,632,685	-
Restricted for debt service	10,088,357	-	10,088,357	-
Unrestricted	3,450,238	1,886,933	5,337,171	990,430
Total net assets	<u>82,502,785</u>	<u>8,555,428</u>	<u>91,058,213</u>	<u>990,430</u>
Total liabilities and net assets	<u>\$ 124,630,777</u>	<u>\$ 11,226,428</u>	<u>\$ 135,857,205</u>	<u>\$ 2,683,625</u>

CITY OF SANFORD, FLORIDA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2005**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Water and Sewer	Stormwater	Total Enterprise	
Operating revenues				
Charges for services	\$ 12,875,597	\$ 2,260,318	\$ 15,135,915	\$ 3,935,375
Other revenue	881,541	2,953	884,494	232,689
Total operating revenues	13,757,138	2,263,271	16,020,409	4,168,064
Operating expenses				
Personal services	3,984,609	584,687	4,569,296	-
Materials	3,265,496	201,907	3,467,403	-
Other services	1,567,846	524,129	2,091,975	4,072,434
Depreciation	2,366,791	258,962	2,625,753	-
Amortization	88,800	-	88,800	-
Total operating expenses	11,273,542	1,569,685	12,843,227	4,072,434
Operating income	2,483,596	693,586	3,177,182	95,630
Nonoperating revenue (expense)				
Interest income	534,691	45,584	580,275	60,983
Intergovernmental grant revenue	630,615	48,979	679,594	-
Interest expense	(1,502,549)	(96,655)	(1,599,204)	-
Amortization of debt costs	(184,342)	(3,721)	(188,063)	-
Total nonoperating revenue (expense)	(521,585)	(5,813)	(527,398)	60,983
Income before transfers and contributions	1,962,011	687,773	2,649,784	156,613
Capital contributions	3,350,802	-	3,350,802	-
Transfers in	-	337,705	337,705	-
Change in net assets	5,312,813	1,025,478	6,338,291	156,613
Total net assets - beginning	77,189,972	7,529,950	84,719,922	833,817
Total net assets - ending	\$ 82,502,785	\$ 8,555,428	\$ 91,058,213	\$ 990,430

CITY OF SANFORD, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Water and Sewer	Stormwater	Total Enterprise	
Operating activities				
Cash received from customers	\$ 13,298,296	\$ 2,343,641	\$ 15,641,937	\$ 3,923,613
Cash payments to suppliers for goods and services	(3,226,488)	(731,498)	(3,957,986)	(3,630,531)
Cash payments to employees for services	(4,109,465)	(601,039)	(4,710,504)	-
Cash received for other revenues	881,541	2,953	884,494	232,689
Net cash provided by operating activities	6,843,884	1,014,057	7,857,941	525,771
Noncapital financing activities				
Decrease in due from other governments	405,155	6,293	411,448	-
Intergovernmental revenue	630,615	48,979	679,594	-
Transfers in from other funds	-	337,705	337,705	-
Increase in due to other governments	245	-	245	-
Net cash provided by noncapital financing activities	1,036,015	392,977	1,428,992	-
Capital and related financing activities				
Capital contributed by other governments and developers	3,350,802	-	3,350,802	-
Acquisition and construction of capital assets	(15,100,888)	(817,536)	(15,918,424)	-
Proceeds from notes payable and loans	1,086,477	500,242	1,586,719	-
Principal paid on revenue bonds	(995,475)	(304,163)	(1,299,638)	-
Principal paid on notes and capital lease obligation	(2,125,900)	-	(2,125,900)	-
Interest paid on revenue bonds, notes payable and capital lease obligations	(1,519,663)	(96,655)	(1,616,318)	-
Net cash used by capital and related financing activities	(15,304,647)	(718,112)	(16,022,759)	-
Investing activities				
Interest income	534,691	45,584	580,275	60,983
Net cash provided by investing activities	534,691	45,584	580,275	60,983
Net increase (decrease) in cash and cash equivalents/investments	(6,890,057)	734,506	(6,155,551)	586,754
Cash and cash equivalents/investments				
Beginning of year	21,500,294	1,184,845	22,685,139	1,821,492
End of year	\$ 14,610,237	\$ 1,919,351	\$ 16,529,588	\$ 2,408,246
Cash and cash equivalents classified as:				
Current assets	\$ 3,240,387	\$ 1,919,351	\$ 5,159,738	\$ 2,408,246
Restricted assets	11,369,850	-	11,369,850	-
	\$ 14,610,237	\$ 1,919,351	\$ 16,529,588	\$ 2,408,246
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 2,483,596	\$ 693,586	\$ 3,177,182	\$ 95,630
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,366,791	258,962	2,625,753	-
Amortization of irrigation rights	88,800	-	88,800	-
Provision for uncollectible accounts	88,049	9,114	97,163	-
Change in assets and liabilities				
Accounts receivable	191,715	74,209	265,924	(11,762)
Prepaid items	-	-	-	(150,399)
Accounts payable	1,606,854	(5,462)	1,601,392	592,302
Accrued liabilities	(121,041)	(16,696)	(137,737)	-
Unearned revenue	105,358	-	105,358	-
Customer deposits	37,577	-	37,577	-
Compensated absences	(3,815)	344	(3,471)	-
Total adjustments	4,360,288	320,471	4,680,759	430,141
Net cash provided by operating activities	\$ 6,843,884	\$ 1,014,057	\$ 7,857,941	\$ 525,771

The notes to the financial statements
are an integral part of this statement

CITY OF SANFORD, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2005

Assets		
Investments, at fair value:		
Money market funds		\$ 1,199,410
Equity securities, individual stocks and mutual funds		21,611,489
Mutual funds investing in corporate and U.S. Treasury bonds		10,677,062
Total investments		<u>33,487,961</u>
Due from other funds		92
Due from fiscal agent		239
Due from other governments		15,408
Total assets		<u>33,503,700</u>
Liabilities		
Accounts payable		<u>42,812</u>
Total liabilities		<u>42,812</u>
Net Assets		
Held in trust for pension benefits		<u><u>\$ 33,460,888</u></u>

CITY OF SANFORD, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2005

Additions

Contributions:

Employer	\$ 1,263,265
State	503,797
Plan members and others	450,939
Total contributions	2,218,001

Investment earnings:

Net increase in fair value of investments	2,078,242
Dividends	354,868
Interest	314,477
Total investment earnings	2,747,587

Less investment expenses	144,064
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Net investment earnings	2,603,523
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Miscellaneous income	5,101
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Total additions	4,826,625
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Deductions

Benefits	2,007,784
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Refunds of contributions	89,958
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Other services and charges	56,159
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Total deductions	2,153,901
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Change in net assets	2,672,724
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Total net assets - beginning	30,788,164
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Total net assets - ending	\$ 33,460,888
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CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies

The City of Sanford, Florida (the "City") is a political subdivision of the State of Florida located in Seminole County. The legislative branch of the City is composed of a five-member elected Commission, including a citywide elected Mayor. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments as established by the Governmental Accounting Standards Board. The following is a summary of the more significant policies.

A. Reporting Entity

The concept underlying the definition of the reporting entity is that elected officials are accountable to their constituents for their actions. The reporting entity's financial statements should allow users to distinguish between the primary government (the "City") and its component units. However, some component units, because of the closeness of their relationships with the City, should be blended as if they were part of the City. Otherwise, most component units should be discretely presented. To accomplish this goal, the City's financial statements present the fund types of the City, including a component unit that has been blended, and provides an overview of the discretely presented component units in separate columns.

As required by accounting principles generally accepted in the United States of America, the financial reporting entity consists of (1) the primary government, (2) organizations for which the City is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable if an organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based on these criteria, City management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the City's financial statements. Management determined that the City of Sanford Finance Corporation, the Sanford Airport Authority, and the City of Sanford Community Redevelopment Agency are the only organizations that should be included in the City's financial statements as component units. If a separate note reference is not made, the user should assume that information presented is equally applicable to both the primary government and the discretely presented component units.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Based upon a review of these criteria, the following is a brief review of units addressed in defining the City's reporting entity:

(1) Blended Component Unit

City of Sanford Finance Corporation - The City of Sanford Finance Corporation (the "Corporation") was established under Resolution No. 1568 of the City Commission as a not-for-profit corporation incorporated in 1989 under the provisions of the not-for-profit corporation law of the State of Florida. The City Commission and Mayor comprise the Board of Directors. The transactions of the Corporation are accounted for within the City's applicable fund types.

(2) Discretely Presented Component Units

The Sanford Airport Authority - The Sanford Airport Authority (the "Airport Authority") was established under Florida Statutes Chapter 71-924 and Resolution No. 1315 of the City Commission. The City Commission appoints all members of the Board of Directors of the Airport Authority and approves the Airport Authority's annual operating budget, as well as any budget adjustments or amendments. Separate financial statements of the Airport Authority can be obtained from the Airport Authority.

The City of Sanford Community Redevelopment Agency - The City of Sanford Community Redevelopment Agency (the "Sanford CRA") pursuant to Section 163.356, Florida Statutes was established by City Ordinance No. 3282 and County Ordinance No. 95-R-246. The Sanford CRA was established to enhance selected areas of the City. The Seminole Towne Center and Lake Monroe Waterfront and Downtown Sanford Community Redevelopment areas are the currently active projects undertaken by the City. The Sanford CRA district known as Seminole Towne Center was established in 1993 with the City Commission as the agency. In 1996 the Lake Monroe Waterfront and Downtown District was expanded by interlocal agreement with Seminole County. Currently, the City and Seminole County provide tax increment revenue to the Sanford CRA. Taxes are to be used for payment of infrastructure improvement projects and debt service on loans.

The Sanford CRA is comprised of a five-member board. Three members are nominated and appointed by the City Commission, and two members are nominated by the Board of County Commissioners of Seminole County and appointed by the City Commission. The Sanford CRA's financial records are presented as a discrete component unit of the City. Financial records are maintained by the City. Separate financial statements are not prepared for the Sanford CRA.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes, franchise fees, licenses, and interest allocated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund, of the stormwater enterprise fund, and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following proprietary funds:

The *Water and Sewer Fund*, a major fund, accounts for the fiscal activities of the City's water and sewer treatment and distribution operations, as well as funding and payment of related debt.

The *Stormwater Fund* accounts for the operation of the City's Stormwater management utility.

Additionally, the government reports the following funds:

The *Internal Service Fund* is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City has one (1) Internal Service Fund used to account for the City's risk management activities. This fund is accounted for on the accrual basis of accounting.

Pension Trust Funds are used to account for assets held by the City in a trustee capacity. The City has two (2) pension trust funds: the *Police Officers' Retirement System Fund* and the *Firefighters' Retirement System Fund*. These funds are accounted for on the accrual basis of accounting.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Component Units - *Sanford CRA* is used to account for financial resources of the Seminole Towne Center Bond Trust Fund and the Lake Monroe Waterfront and Downtown Sanford Community Redevelopment Trust Fund. Capital assets are constructed with the proceeds, and are donated to the primary government. *Airport Authority* is used to account for the related activities of the Sanford Airport Authority. These component units are presented as discrete component units in the accompanying financial statements and are accounted for on the accrual basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer and stormwater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. GASB Statement No. 20 Election

Pursuant to the election option made available by the Governmental Auditing Standards Board (GASB) Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the City's business-type activities and enterprise funds.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased are considered to be cash equivalents.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Receivables

- (1) Property Taxes Receivable - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to ten (10) mills. The millage rate assessed by the City for the fiscal year ended September 30, 2005 was 6.350 mills.

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the assessment roll is certified by the Seminole County Property Appraiser (levy date). Seminole County mails to each property owner on the assessment roll a notice of the taxes due. The County also collects the taxes for the City. Taxes may be paid upon receipt of such notice from the County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which taxes were assessed.

Prior to May 1 of each year, immediately following the year of assessment, the county advertises a list of delinquent personal property taxpayers. Warrants are issued directing seizure and sale of the personal property of the taxpayer if the delinquent personal property taxes are not paid. On or before June 1 (lien date) of the year following the year in which taxes were assessed, tax certificates are sold on all real estate parcels with outstanding real property taxes. These parcels are advertised once a week for four (4) weeks prior to the tax certificate sale.

City property tax revenues are recognized when levied to the extent that they result in current receivables. If material, delinquent taxes receivable that are measurable, but not available as of the end of the fiscal year, are reflected as deferred revenues. The deferred revenues are recognized as revenue in the fiscal year they become measurable and available as net current assets.

- (2) Accounts Receivable - The Water and Sewer Fund and Stormwater Fund operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the applicable reporting period for meters that have not been read are accrued based on meter readings for the applicable consumption taken at the beginning of the succeeding month. Water and Sewer Fund and Stormwater Fund billings are rendered monthly for the month's services.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Inventories

All inventories are stated at cost on the basis of the "first-in, first-out" method of accounting. The effect of this method is to flow costs through operations in the order in which they are purchased and to assign a balance sheet cost that reflects current replacement values.

Inventories for the General Fund consist of expendable supplies held for consumption. This cost is recorded as an expenditure at the time inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resources", even though they are a component of net current assets.

H. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Constructed or purchased assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at the estimated fair market value on the date of donation. Infrastructure assets associated with governmental activities (drainage systems, and road and highway systems) acquired or constructed prior to October 1, 2002 are not yet reported. The threshold for capitalization of assets is \$1,000. Costs of maintenance and repairs that do not add to the value of assets or extend their useful lives are not capitalized.

All capital assets except land and construction in progress are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 60
Improvements other than buildings	30 - 60
Water and Sewer System	60
Stormwater Management System	40
Equipment	5 - 20
Airport Authority streets	20 - 40

Gains or losses on disposal of fixed assets are included in income in the period of disposal.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Irrigation Right

The City entered into an interlocal agreement with another city to facilitate disposal of reclaimed water by spraying irrigation. The City paid a proprietary fee of \$2,220,000 for irrigation rights to utilize the other city's irrigation facility. The irrigation rights are for a period of twenty-five (25) years, beginning July 1, 1991. The irrigation rights are being amortized on a straight-line basis over the life of the rights. Accumulated amortization at September 30, 2005 and amortization expense for the fiscal year ended September 30, 2005 are \$1,265,400 and \$88,800, respectively.

J. Compensated Absences

It is the City's policy to grant all permanent full-time and part-time employees annual leave based upon the number of years of employment with the City. Employees are encouraged to use annual leave in the year it is earned. Employees accrue annual leave at a rate of ten (10) days per year for the first ten (10) years of service and at a rate of fifteen (15) days per year after ten (10) years of service. Upon termination in good standing or retirement, employees are paid for accrued annual leave up to a maximum of 22.5 days. Public Safety employees accrue sick and annual leave on a pro-rata basis, using 2080 annual hours as the base. Sick leave is accumulated at a rate of 1.25 workdays per month. Employees may accrue sick time benefits with no restriction as to maximum amount. Comp time is accumulated and accrued subject to several limitations and qualifications. Upon termination in good standing, an employee is entitled to a cash benefit of one-eighth of accrued sick leave. Upon retirement, an employee is entitled to a cash benefit of 100% of accrued sick leave. Both cash benefits are subject to the limits of the maximum accumulated sick leave of thirty (30) days for up to five (5) years service, sixty (60) days for five to ten (5 - 10) years service, or ninety (90) days over ten (10) years service.

Unpaid compensated absences are recorded as a liability when the benefits are earned in the government-wide and proprietary fund financial statements. The General Fund typically has been the governmental fund used to liquidate the liability for compensated absences. Fringe benefits associated with unpaid compensated absences are included in the compensated absences accrual. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees.

K. Unamortized Bond Issuance Costs

Bond issuance costs for the Water and Sewer Revenue Bonds and Stormwater Revenue Bonds are being amortized over the life of the bonds, using straight-line amortization. For financial reporting, unamortized bond issuance costs are netted against applicable long-term debt.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Unamortized Bond Discounts

Bond discounts associated with the issuance of Water and Sewer Revenue Bonds are amortized over the life of the bonds, using the straight-line method of amortization. For financial reporting, unamortized bond discount is netted against applicable long-term debt.

M. Deferred and Unearned Revenues

Deferred revenues reported on applicable Governmental Fund Types represent unearned revenues or revenues which are measurable but not available, primarily related to Federal Emergency Management Agency assistance. The deferred revenues will be recognized as revenue in the fiscal year they are earned or become available. The Proprietary Fund Types reported unearned revenue represents advance collection of funds for services to be provided in future reporting periods.

N. Budgets and Budgetary Accounting

The following procedures are used to establish the budgetary data reflected in the financial statements:

- (1) On or before July 1 of each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of a resolution.
- (4) Formal budgetary integration is employed as a management control device during the year for all funds which have a legally adopted budget, including the General Fund, Police Education Fund, Law Enforcement Trust Fund, Local Option Gas Tax Fund, Cemetary Fund, Recreation Facilities Impact Fees Fund, Fire Public Safety Facilities Impact Fees, Police Public Safety Facilities Impact Fees, Debt Service Fund, Water and Sewer Fund, and Stormwater Fund.
- (5) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- (6) The City Manager is authorized by the Commission to transfer budgeted funds within and/or between departments. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation among programs within and/or between departments. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (7) Every appropriation and encumbrance, except an appropriation and/or encumbrance for a specified major capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

- (8) Supplemental appropriations beyond those for which the City Manager is authorized must be approved by the commission. There were a number of such supplemental appropriations made during the fiscal year.

O. Capitalization of Interest

In accordance with the Statements of Financial Accounting Standards (SFAS) 34 and 62, the City has adopted the policy of capitalizing interest costs during the period of project construction. During 2005, interest capitalized by the City's Stormwater Enterprise Fund was \$15,672 and total interest costs was \$1,510,281.

P. Postemployment Benefits

The City pays health and life insurance of retirees if they meet certain eligibility requirements. The City records the cost of this plan on a "pay-as-you-go" basis. This results in current insurance payments being recorded as expenditures or expenses in the financial statements in the period the insurance is paid. It is the City's policy to pay these premiums on a monthly basis in the period the insurance services were provided.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 2 - Cash and Investments

The following is a summary of the City's cash and investments:

	Carrying Amount	Fair Value
Primary Government		
Pension Funds:		
Money Market Funds	\$ 1,199,410	\$ 1,199,410
Mutual funds investing in common stocks and mutual funds	21,611,489	21,611,489
Mutual fund investing in corporate and U.S. treasury bonds	10,677,062	10,677,062
Total pension funds	33,487,961	33,487,961
Local Government Surplus Funds Trust Fund	36,745,135	36,745,135
Demand Deposits	1,515,459	1,515,459
Total Primary Government	71,748,555	71,748,555
Component Unit - Airport Authority		
Local Government Surplus Funds Trust Fund	819,767	819,767
Demand Deposits	4,412,618	4,412,618
Total Component Unit - Airport Authority	5,232,385	5,232,385
Component Unit - Sanford CRA		
Local Government Surplus Funds Trust Fund	870,626	870,626
Demand Deposits	-	-
Total Component Unit - Sanford CRA	870,626	870,626
	\$ 77,851,566	\$ 77,851,566
Classified as:		
Cash and cash equivalents	\$ 31,088,945	\$ 31,088,945
Investments	35,290,606	35,290,606
Restricted cash and cash equivalents	11,472,015	11,472,015
	\$ 77,851,566	\$ 77,851,566

The City maintains cash and investment pools that are available for use by all funds except those whose cash and investments must be segregated due to bond covenants or other legal restrictions and the Pension Trust Funds.

Deposits – Demand deposits are issued by the FDIC up to \$100,000, amounts in excess of \$100,000 are secured by the Public Deposits Trust Fund maintained by the Treasurer of the State of Florida. The Trust Fund is a multiple financial institution pool with the ability to assess its members' financial institutions for collateral shortfalls if a member fails. For this reason, deposits are considered substantially insured.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 2 - Cash and Investments (Continued)

Investments - The City Charter, Florida Statutes and bond resolutions authorize the City to invest in direct obligations of the United States of America, obligations of federal agencies and instrumentalities of the United States of America, certificates of deposit, money market mutual funds, and the Florida State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund. The SBA is not a registrant, nor regulated by, the Securities and Exchange Commission (SEC) or any other regulatory agency; however, the SBA has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the pool is equal to the value of the pool shares. Such investments are stated at amortized cost, which approximates fair value, and are not rated as to credit quality. Investments other than the Local Government Surplus Funds Trust Fund are stated at fair value.

Cash and cash equivalents and investments of the Pension Trust Funds are held separately from those of other City Funds and are stated at fair value.

Defined Benefit Pension Plan Investments

Method Used to Value Investments and Investment Policies - Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. An independent investment manager and custodial bank handles all pension investments and check writing duties. Other administrative duties are handled by the City's Finance Director under direction of the Board of Trustees and City Commission.

Investment guidelines limit cash and equivalents to U.S. Government obligations, certificates of deposit and repurchase agreements with major money center banks, commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's. Equity securities are limited to issues of U.S. corporations with a rating by a major rating service in one of the three highest classifications, limited to fifty percent (50%) of the fund's assets overall for the police officers and firefighters, and to five percent (5%) of the equity portfolio value invested in any single corporation.

In addition, the police officers' and firefighters' plans require fixed income securities to comprise a minimum fifty percent (50%) of the total assets at cost with a limit to any single corporation of ten percent (10%) of the total bond portfolio. The fixed income portfolio is limited to U.S. Government and U.S. Government agency bonds, and/or bonds issued by U.S. corporations. No investment in any one organization exceeds five percent (5%) or more of plan net assets.

No investments in loan to, or leases with, any parties related to the pension plans have been made.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 2 – Cash and Investments (Continued)

Defined Contribution Pension Plan investments were as follows at September 30, 2005:

Investment Type	Type	Credit Quality Rating	Fair Value	Investment Maturities (in Years)			
				Less Than 1	1-5	6-10	More Than 10
Police Pension:							
Money Market Funds	Money Market	N/A	\$ 776,805	\$ 776,805	\$ -	\$ -	\$ -
U.S. Treasury Bonds/Notes	Fixed Income	N/A	437,558	-	51,953	211,305	174,300
FHLB	Fixed Income	AAA	144,139	144,139	-	-	-
FHLMC	Fixed Income	AAA	2,203,791	-	489,336	532,092	1,182,363
FNMA	Fixed Income	AAA	1,843,418	358,380	-	199,774	1,285,264
GNMA	Fixed Income	N/A	149,719	-	-	-	149,719
Corporate Debt	Fixed Income	AAA	1,304,275	-	901,301	54,330	348,644
Corporate Debt	Fixed Income	A - A+	838,944	-	534,739	304,205	-
Mutual Funds	Fixed Income	AAA	8,816,882	8,816,882	-	-	-
Common Stocks	Equity	N/A	3,968,633	3,968,633	-	-	-
Total Police Pension			<u>20,484,164</u>	<u>14,064,839</u>	<u>1,977,329</u>	<u>1,301,706</u>	<u>3,140,290</u>
Firefighters' Pension:							
Money Market Funds	Money Market	N/A	422,605	422,605	-	-	-
Mutual Funds	Fixed Income	AAA	3,755,218	-	-	3,755,218	-
Mutual Funds	Equity	N/A	3,891,714	3,891,714	-	-	-
Common Stocks	Equity	N/A	4,934,260	4,934,260	-	-	-
Total Firefighters' Pension			<u>13,003,797</u>	<u>9,248,579</u>	<u>-</u>	<u>3,755,218</u>	<u>-</u>
Total Pension Investments			<u>\$33,487,961</u>	<u>\$23,313,418</u>	<u>\$1,977,329</u>	<u>\$5,056,924</u>	<u>\$3,140,290</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 3 - Restricted Cash and Cash Equivalents and Investments

Certain funds have cash and cash equivalents that are restricted either by bond resolutions, ordinances or governmental regulations. The following is a summary of restricted cash and cash equivalent accounts as of September 30, 2005:

	Primary Government		Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Sanford CRA	Airport Authority
Sinking Fund	\$ -	\$ 922,732	\$ -	\$ -
Renewal and Replacement Fund	-	200,000	-	-
Customer Deposits	81,990	1,050,812	-	-
Utility Trust Impact Fees	-	9,196,306	-	-
First Street Streetscape	-	-	9,983	-
Escrow Account	-	-	-	-
Airport Memorial Fund	-	-	-	10,192
	<u>\$ 81,990</u>	<u>\$ 11,369,850</u>	<u>\$ 9,983</u>	<u>\$ 10,192</u>

Note 4 - Receivables

The following is a detailed listing of receivables by type and fund at September 30, 2005:

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Airport Authority
Receivables			
Accounts Billed	\$ 246,013	\$ 906,209	\$ 1,103,142
Unbilled Receivables	315,412	1,037,939	-
Other Miscellaneous	3,536,566	166,647	-
Gross Receivables	4,097,991	2,110,795	1,103,142
Less: Allowance for Uncollectibles	3,104,926	475,745	260,000
Net Total Receivables, net	<u>\$ 993,065</u>	<u>\$ 1,635,050</u>	<u>\$ 843,142</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 5 - Capital Assets

A. Changes in Capital Assets

During the year ended September 30, 2005, the following changes in capital assets occurred:

	Balance October 1, 2004	Additions	Reductions	Balance September 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,786,519	\$ 203,494	\$ -	\$ 1,990,013
Total capital assets, not being depreciated	<u>1,786,519</u>	<u>203,494</u>	<u>-</u>	<u>1,990,013</u>
Capital assets, being depreciated:				
Buildings and improvements	36,705,787	1,914,793	-	38,620,580
Equipment	15,892,248	2,182,784	(70,514)	18,004,518
Total capital assets, being depreciated	<u>52,598,035</u>	<u>4,097,577</u>	<u>(70,514)</u>	<u>56,625,098</u>
Less accumulated depreciation for:				
Buildings and improvements	7,039,191	1,043,596	-	8,082,787
Equipment	11,775,577	1,208,974	(70,514)	12,914,037
Total accumulated depreciation	<u>18,814,768</u>	<u>2,252,570</u>	<u>(70,514)</u>	<u>20,996,824</u>
Total capital assets, being depreciated, net	<u>33,783,267</u>	<u>1,845,007</u>	<u>-</u>	<u>35,628,274</u>
Governmental activities capital assets, net	<u>\$ 35,569,786</u>	<u>\$ 2,048,501</u>	<u>\$ -</u>	<u>\$ 37,618,287</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,214,008	\$ 350,802	\$ -	\$ 6,564,810
Construction in progress	7,558,743	15,180,871	(3,710,244)	19,029,370
Total capital assets, not being depreciated	<u>13,772,751</u>	<u>15,531,673</u>	<u>(3,710,244)</u>	<u>25,594,180</u>
Capital assets, being depreciated:				
Buildings and improvements	4,437,400	12,670	-	4,450,070
Water and sewer system	92,300,496	3,283,139	-	95,583,635
Stormwater management	9,799,649	45,595	-	9,845,244
Equipment	6,737,700	755,591	(86,202)	7,407,089
Total capital assets, being depreciated	<u>113,275,245</u>	<u>4,096,995</u>	<u>(86,202)</u>	<u>117,286,038</u>
Less accumulated depreciation for:				
Buildings	282,039	146,915	-	428,954
Water & Sewer	17,315,949	1,739,088	-	19,055,037
Stormwater	2,818,102	181,966	-	3,000,068
Equipment	4,331,984	557,784	(86,202)	4,803,566
Total accumulated depreciation	<u>24,748,074</u>	<u>2,625,753</u>	<u>(86,202)</u>	<u>27,287,625</u>
Total capital assets, being depreciated, net	<u>88,527,171</u>	<u>1,471,242</u>	<u>-</u>	<u>89,998,413</u>
Business-type activities capital assets, net	<u>\$ 102,299,922</u>	<u>\$ 17,002,915</u>	<u>\$ (3,710,244)</u>	<u>\$ 115,592,593</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 5 - Capital Assets (Continued)

B. Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 74,334
Public safety	986,626
Physical environment	4,505
Transportation	515,839
Economic environment	13,515
Human services	2,253
Culture and recreation	<u>655,498</u>
Total depreciation expense - governmental activities	<u>\$ 2,252,570</u>
Business-type activities:	
Water and Sewer	\$ 2,366,791
Stormwater	<u>258,962</u>
Total depreciation expense - business-type activities	<u>\$ 2,625,753</u>

C. Sanford Community Redevelopment Agency – Capital Assets

During the fiscal years 2004 and 2005, the Sanford CRA, a discretely presented component unit, purchased \$740,774 and \$1,967,483, respectively, of buildings and improvements related to the First Street Streetscape. As of September 30, 2005, the accumulated depreciation related to these assets was \$59,921.

Note 6 - Operating Lease

A. Long-Term Ground Lease

The City is the lessor on numerous building and land leases. The land leases are generally non-cancelable leases ranging from ten to seventy-five (10 - 75) years. The land lease rental income, which comprises the largest amount of rental income for the City, is based on gross revenue of the leases. The building leases are low rent agreements, usually with non-profit agencies offering public services. In fiscal year 2005, the total lease rental income received in the General Fund and the Enterprise Funds was \$59,441 and \$64,636, respectively.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 6 - Operating Lease (Continued)

B. Long-Term Airport Lease

In August 1996, the City entered into a lease agreement with the Sanford Airport Authority (lessee) for the control and operations of the Airport. Payments are not required under the terms of the lease. The City grants the lessee the exclusive right and jurisdiction to occupy, operate, control, maintain and use the airport for a term of thirty-five (35) years.

C. Airport Authority Operating Leases

The Component Unit - Airport Authority is the lessor on numerous building, office and land leases. The T-hanger and some office facility leases are primarily month-to-month cancelable leases. The building and land leases are generally non-cancelable leases with terms ranging from one to thirty (1 - 30) years. The following is a schedule of minimum future rentals on non-cancelable operating leases:

Fiscal Year Ending September 30,	Amount
2006	\$ 3,865,814
2007	3,297,417
2008	3,168,481
2009	2,865,188
2010	1,673,348
2011-2015	6,109,425
2016-2020	4,572,561
2021-2025	3,656,730
2025-2030	1,109,309
2031	27,750
	\$ 30,346,023

The following is a schedule of property under operating leases at September 30, 2005:

Buildings and Improvements	\$ 53,201,630
Less Accumulated Depreciation	(30,667,985)
	\$ 22,533,645

Total income on non-cancelable leases for the year ended September 30, 2005 was \$4,127,706.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 – Long-Term Debt

A. Changes in Long-Term Debt

Changes in long-term debt for the year ended September 30, 2005 are summarized as follows:

	<u>Balance October 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2005</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 1,420,000	\$ -	\$ (95,000)	\$ 1,325,000	\$ 100,000
Accrued compensated absences	1,490,051	1,263,796	(1,284,957)	1,468,890	215,805
Claims payable	1,100,893	1,079,592	(487,290)	1,693,195	87,971
Accrued clean-up and long-term care costs	<u>1,250,793</u>	<u>1,024,032</u>	<u>(19,439)</u>	<u>2,255,386</u>	<u>19,439</u>
Governmental activity Long-term liabilities	<u>\$ 5,261,737</u>	<u>\$ 3,367,420</u>	<u>\$ (1,886,686)</u>	<u>\$ 6,742,471</u>	<u>\$ 423,215</u>
Business-type activities:					
Water and Sewer Fund revenue bonds payable	\$ 24,192,633	\$ -	\$ (811,133)	\$ 23,381,500	\$ 990,000
Stormwater System Fund revenue bonds payable	2,210,670	-	(300,442)	1,910,228	316,391
Notes, loans and contracts payable	15,222,398	1,522,625	(2,076,843)	14,668,180	1,533,816
Accrued compensated absences	<u>297,783</u>	<u>237,488</u>	<u>(240,959)</u>	<u>294,312</u>	<u>44,856</u>
Business-type activity Long-term liabilities	<u>\$ 41,923,484</u>	<u>\$ 1,760,113</u>	<u>\$ (3,429,377)</u>	<u>\$ 40,254,220</u>	<u>\$ 2,885,063</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 – Long-Term Debt (Continued)

B. Governmental Activities - Special Facilities Revenue Bonds

On July 11, 2000, the City issued \$1,750,000 of Special Facilities Revenue Bonds for the purpose of renovating the Historic Sanford Memorial Stadium.

The Bonds bear interest at 5.60%, payable semi-annually on March 31 and September 30. Principal payments are due and payable on September 30 of each fiscal year through March 31, 2009, with a balloon payment of \$880,000 due on September 30, 2009.

The Special Facilities Revenue Bonds will mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	\$ 100,000	\$ 71,400	\$ 171,400
2007	110,000	65,520	175,520
2008	115,000	59,220	174,220
2009	1,000,000	52,640	1,052,640
	<u>\$ 1,325,000</u>	<u>\$ 248,780</u>	<u>\$ 1,573,780</u>

C. Defeasance of Debt

The City has refunded certain revenue bonds through irrevocable deposits with an escrow agent (a third party banking institution) of sufficient funds to pay the principal and interest, when due, on the refunded bonds to the earliest call date. As a result, this debt is considered defeased and the debt and related escrow deposits are not presented on the City's financial statements. The City has the following bond issues outstanding that have been refunded:

Type	Series	Date Refunded	Outstanding as of Refunding	Outstanding as of September 30, 2005
Water and Sewer	1986	November, 1993	\$ 12,635,000	\$ 11,085,000
Revenue Bonds	1989	November, 1993	\$ 4,180,000	\$ 3,045,000
Revenue Bonds	1991	November, 1993	\$ 11,905,000	\$ 11,380,000
Revenue Bonds	1992	September, 2003	\$ 6,845,000	\$ 5,630,000
Revenue Bonds	1993	September, 2003	\$ 8,575,000	\$ 7,875,000

D. Water and Sewer Fund Revenue Bonds

On September 25, 2003, the City issued Water and Sewer Refunding Revenue Bonds, Series 2003 in the amount of \$12,450,000 for the purpose of refunding all of the City's outstanding Water and Sewer Revenue Bonds, Series 1992, and a portion of the City's outstanding Water and Sewer Revenue Bonds, Series 1993, and financing costs of issuance of the Series 2003 Bonds.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 D. – Water and Sewer Fund Revenue Bonds (Continued)

- (1) Pledge of Revenues - The Series 1993 and 2003 Bonds are payable solely from and collateralized by the net revenues derived from the:
 - a. Operations of the System.
 - b. Water and Sewer System Development Charges - The growth fees and charges levied upon and collected from property owners when they first connect to the Water and Sewer System and until released as provided for in the bond resolution.
- (2) Establishment of Various Accounts - The Water and Sewer Bond Resolution provides for the creation and establishment of the following funds and accounts:
 - a. Revenue Account - to deposit all gross revenues and provide for payment of costs of operation and maintenance of the System.
 - b. Bond Sinking Fund:
 - Interest Account - to deposit monthly from Revenue Account one-sixth (1/6) of all interest coming due on the next interest payment date.
 - Principal Account - to deposit monthly from Revenue Account one-twelfth (1/12) of the principal amount which will become due on such annual maturity date.
 - c. Renewal, Replacement and Improvement Account - to deposit monthly from the Revenue Account an amount equal to one-twelfth (1/12) of five percent (5%) of the gross revenues received during the immediately preceding fiscal year until the amounts on deposit equals or exceeds \$200,000.
- (3) Rate Covenants - The City has covenanted that it will collect rates and charges sufficient to cover either of two debt service coverage options. One debt service coverage option is for revenues, including all earnings and connection fees, to cover the costs of operation and maintenance, exclusive of depreciation, plus 110% of the bond service requirement. The second option is to achieve 105% of the bond debt service requirement, under the prior calculation, plus have sufficient revenues and water and sewer development charges to achieve 120% of the bond debt service requirement

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 D. – Water and Sewer Fund Revenue Bonds (Continued)

(4) Bonds Issued - At September 30, 2005, Water and Sewer Fund revenue bonds outstanding consisted of the following:

<u>Description</u>	<u>Rates</u>	<u>Maturity</u>	<u>Original Issue</u>	<u>Outstanding at September 30, 2005</u>
Water and Sewer Refunding Revenue Bonds, Series 1993:				
Term Bonds	4.75%	10/1/2018	\$ 7,725,000	\$ 7,725,000
Term Bonds	4.50%	10/1/2021	6,785,000	6,785,000
			<u>\$ 14,510,000</u>	<u>14,510,000</u>
Water and Sewer Refunding Revenue Bonds, Series 2003:				
Serial Bonds	2.00% - 4.00%	10/1/2004	\$ 12,450,000	10,560,000
		10/1/2014	-	-
			<u>\$ 12,450,000</u>	<u>10,560,000</u>
Net Bonds Payable				25,070,000
Plus: Unamortized Premium on Series 2003				67,907
Less: Unamortized Discount on Series 1993				(410,843)
Less: Unamortized Bond Costs				(407,875)
Less: Deferred Loss on Refinancing				<u>(937,689)</u>
Bonds Payable				<u>\$ 23,381,500</u>
Current Portion				\$ 990,000
Long-term Portion				22,391,500
Bonds Payable				<u>\$ 23,381,500</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 D. - Water and Sewer Bonds (Continued)

(5) Water and Sewer Fund Annual Debt Service Requirements

The following is a schedule of annual debt service requirements to maturity for the Water and Sewer Fund Bonds:

<u>Bond Year</u> <u>Ending</u>	<u>Water and Sewer Revenue</u> <u>Bonds, Series 1993</u>		<u>Water and Sewer Revenue</u> <u>Bonds, Series 2003</u>		<u>Total</u> <u>Debt</u> <u>Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ -	\$ 672,263	\$ 990,000	\$ 339,420	\$ 2,001,683
2007	-	672,263	1,010,000	319,620	2,001,883
2008	-	672,263	1,030,000	296,895	1,999,158
2009	-	672,263	1,065,000	265,995	2,003,258
2010	-	672,263	1,095,000	234,045	2,001,308
2011-2015	1,800,000	672,263	5,370,000	526,450	8,368,713
2016-2020	10,350,000	2,001,101	-	-	12,351,101
2021	2,360,000	106,200	-	-	2,466,200
	<u>\$ 14,510,000</u>	<u>\$ 6,140,879</u>	<u>\$ 10,560,000</u>	<u>\$ 1,982,425</u>	<u>\$ 33,193,304</u>

E. Stormwater System Fund Revenue Bonds

- (1) Bonds Issued - During the year ended September 30, 1999, the City authorized the issuance of Stormwater System Revenue Bonds, Series 1998, not to exceed \$4,200,000. The bonds bear interest at 4.45% and mature on September 30, 2013 if the City draws the remaining balance. As of September 30, 2005, the City has received \$3,653,500 and has an outstanding balance of \$1,910,228.

Bonds Payable	\$ 1,916,587
Less: Unamortized issue costs	(6,359)
Net Bonds Payable	<u>\$ 1,910,228</u>

Current Portion	\$ 316,391
Long-term Portion	1,593,837
Net Bonds Payable	<u>\$ 1,910,228</u>

- (2) Pledge of Revenues - The series 1999 Bonds are payable solely from and collateralized by the net revenues of the Stormwater System.
- (3) Establishment of Various Accounts - The Stormwater System Revenue Bond Resolution provides for the creation and establishment of the following funds and accounts upon completion of construction of system:

- a. Revenue Account - to deposit all gross revenues of the system.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 E. Stormwater System Fund Revenue Bonds (Continued)

- b. Operations and Maintenance Account - to receive deposits from the revenue account sufficient to pay the operating expenses of the system for the current month.
 - c. Sinking Fund Account - to receive deposits from the revenue account equal to one-sixth (1/6) of the interest due on the next interest payment date and one-twelfth (1/12) of the principal due on the next principal payment date.
- (4) Annual Debt Service Requirements - The following is a schedule of the annual debt service requirements to maturity for the Stormwater System Fund Bonds:

<u>Bond Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 316,391	\$ 81,497	\$ 397,888
2007	330,627	67,261	397,888
2008	345,504	52,384	397,888
2009	361,050	36,838	397,888
2010	377,295	20,593	397,888
2011	185,720	3,977	189,697
	<u>\$ 1,916,587</u>	<u>\$ 262,550</u>	<u>\$ 2,179,137</u>

F. Accrued Clean-up and Long-Term Care Costs

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the Art Lane Landfill site for thirty (30) years after closure. The City placed a final cover on the landfill during fiscal 2001, and has since initiated post closure maintenance and monitoring functions. The estimated future cost for post closure maintenance, amounting to approximately \$505,354, is reported as long-term debt on the entity-wide statement of net assets. These costs are recognized in the General Fund as expenditures as they became obligations to be liquidated with available financial resources. Amounts reported as long-term debt are based on estimates provided by consulting engineers. All amounts are based on what it would cost to perform post closure functions in current dollars. Actual costs may differ due to inflation, changes in technology, or changes in laws and regulations.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 7 F. Accrued Clean-up and Long-Term Care Costs

The City is obligated to provide a share of clean-up costs in connection with the alleged release of hazardous substances and/or pollutants as a result of the former operation of a manufactured gas plant during the 1880's until the year 1952. This obligation was formalized during 1992, when the City and five utility companies entered into a Cost Sharing Agreement providing for all parties to equally share in the funding of contamination assessment activities in an effort to evaluate potential soil and groundwater impacts, all in accordance with and approved by the U.S. Environmental Protection Agency. Terms of the agreement call for the City to be responsible for 12.9632% of the costs of cleaning up soil and groundwater at the site. There will also be an evaluation of surface water sediments at the site that could potentially result in additional costs and actual costs may differ due to inflation, changes in technology, changes in laws and regulations, or determinations made by the Florida Department of Environmental Protection. Each of the parties must approve specific actions taken under the agreement. All amounts are based on what it would cost in current dollars.

The cost of clean-up activities has been estimated by an engineer to range from \$10 million to \$15 million, of which approximately \$1,750,000 is presented as accrued clean-up costs for governmental activities. The effect of changes in estimates related to this obligation was to reduce the change in net assets for Governmental Activities on the Statement of Activities by approximately \$1 million for the year ended September 30, 2005.

Note 8 - Notes Payable - Enterprise Funds and Component Unit - Airport Authority

A. Enterprise Funds Notes Payable

Enterprise Funds notes payable at September 30, 2005 are as follows:

Primary Government: Stormwater:

State Revolving Fund loan SWG12058624P payable, \$2,930,268 authorized, \$617,265 drawn to be drawn for planning and design for downtown drainage study, payable in forty equal semiannual installments, including interest at 1.45% on \$790,268 and 1.405% on \$2,140,000, on July 15 and January 15 of each year.

	\$ 696,905
Less: Unamortized loan costs	(54,716)
	\$ 642,189
	\$ 642,189

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 8 A. Enterprise Funds Notes Payable (Continued)

Primary Government: Water & Sewer:

State Revolving Fund loan CS120586150 payable, \$1,731,397 authorized, \$1,731,397 drawn for construction of a master pumping station at the wastewater treatment plant, payable in 18 equal annual installments, including interest at 4.02%, on October 1 of each year. (The payment due October 1, 2005 was made prior to October 1, 2005.)	\$ 545,698
State Revolving Fund loan CS120586170 payable, \$5,673,944 authorized, \$5,644,086 to be drawn for construction of wastewater system facilities, payable in twenty equal annual installments, including interest at 3.73% on \$4,791,000 and 2.89% on \$955,000, on December 31 of each year.	2,740,172
State Revolving Fund loan CS120586190 payable, \$500,000 authorized, \$483,413 drawn for construction of wastewater pollution control facilities, payable in forty equal semi-annual installments, including interest at 2.43%, on February 1 and August 1 of each year.	242,308
State Revolving Fund loan CS120586210 payable, \$1,543,439 authorized, \$1,491,245 drawn for construction of the Westerly Interceptor Project, payable in forty equal semi-annual installments, including interest at 2.89%, on February 1 and August 1 of each year.	724,750
State Revolving Fund loan CS120586220 payable, \$18,170,000 authorized, \$6,230,111 drawn for collection, transmission and treatment facilities, payable in forty equal semi-annual installments, including interest at 1.67% on October 15 and April 15 of each year.	4,456,258
State Revolving Fund loan DW5906010 payable, \$8,069,030 authorized, \$5,985,716 drawn for drinking water extension, payable in forty equal semi-annual installments, including interest at 3.55% on December 15 and June 15 of each year.	<u>5,709,543</u> 14,418,729
Less unamortized loan costs	<u>(392,737)</u> 14,025,992
Less current portion	(1,553,816)
Loans Payable	<u><u>\$ 12,472,176</u></u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 8 A. Enterprise Funds Notes Payable (Continued)

Required principal and interest deposits for State Revolving Fund loans are presented as part of sinking funds on the statement of net assets. State Revolving Fund Loan payments for the first years are based upon the full loan amount available, not the monies actually drawn to date. After completion of the project, a final loan dollar amount is established and a final loan payment/amortization schedule is established. Maturity schedules for those loans which have final loan payment/amortization schedules are as follows:

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586150		
	Principal	Interest	Total
2006	\$ 100,723	\$ 21,940	\$ 122,663
2007	104,772	17,891	122,663
2008	108,984	13,679	122,663
2009	113,365	9,298	122,663
2010	117,854	4,740	122,594
	<u>\$ 545,698</u>	<u>\$ 67,548</u>	<u>\$ 613,246</u>

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586170		
	Principal	Interest	Total
2006	\$ 301,650	\$ 98,687	\$ 400,337
2007	312,504	87,833	400,337
2008	323,751	76,586	400,337
2009	335,406	64,931	400,337
2010	347,484	52,853	400,337
2011-2013	1,119,377	81,633	1,201,010
	<u>\$ 2,740,172</u>	<u>\$ 462,523</u>	<u>\$ 3,202,695</u>

Fiscal Year Ending September 30,	State Revolving Fund Loan CS120586190		
	Principal	Interest	Total
2006	\$ 25,993	\$ 5,731	\$ 31,724
2007	26,629	5,095	31,724
2008	27,279	4,445	31,724
2009	27,946	3,778	31,724
2010	28,630	3,094	31,724
2011-2014	105,831	5,205	111,036
	<u>\$ 242,308</u>	<u>\$ 27,348</u>	<u>\$ 269,656</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 8 A. Enterprise Funds Notes Payable (Continued)

<u>Fiscal Year Ending September 30.</u>	<u>State Revolving Fund Loan CS120586210</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 81,761	\$ 20,359	\$ 102,120
2007	84,141	17,979	102,120
2008	86,590	15,530	102,120
2009	89,111	13,009	102,120
2010	91,705	10,415	102,120
2011-2013	291,442	14,916	306,358
	<u>\$ 724,750</u>	<u>\$ 92,208</u>	<u>\$ 816,958</u>

<u>Fiscal Year Ending September 30.</u>	<u>State Revolving Fund Loan CS120586220</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 694,697	\$ 125,667	\$ 820,364
2007	174,190	124,194	298,384
2008	180,056	118,327	298,383
2009	186,121	112,263	298,384
2010	192,389	105,995	298,384
2011-2015	1,063,613	428,306	1,491,919
2016-2020	1,255,196	236,722	1,491,918
2021-2023	709,996	35,963	745,959
	<u>\$ 4,456,258</u>	<u>\$ 1,287,437</u>	<u>\$ 5,743,695</u>

<u>Fiscal Year Ending September 30.</u>	<u>State Revolving Fund Loan DW5906010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 328,992	\$ 191,304	\$ 520,296
2007	244,819	188,856	433,675
2008	253,587	180,088	433,675
2009	262,669	171,005	433,674
2010	272,077	161,598	433,675
2011-2015	1,513,721	654,653	2,168,374
2016-2020	1,804,916	363,458	2,168,374
2021-2023	1,028,762	55,424	1,084,186
	<u>\$ 5,709,543</u>	<u>\$ 1,966,386</u>	<u>\$ 7,675,929</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

**Note 8 - Notes Payable - Enterprise Funds and Component Unit – Airport Authority
(Continued)**

B. Discretely Presented Component Unit - Airport Authority Notes Payable

Airport Authority notes payable at September 30, 2005 are as follows:

Note payable to bank, due in monthly principal and interest payments at 4.62%, collateralized by pledged revenues, due September 1, 2023.	\$ 3,278,795
Note payable to bank, due in quarterly principal and interest payments at 6.98%, collateralized by pledged revenues, due June 15, 2006.	3,113,491
Note payable to State of Florida, Department of Transportation for international arrivals building, no interest, due September 2, 2008, unsecured.	1,500,000
Note payable to State of Florida, Department of Transportation for domestic terminal expansion, no interest, due March 4, 2008, unsecured.	3,000,000
Note payable to State of Florida, Department of Transportation for domestic terminal expansion, no interest, due September 18, 2008, unsecured.	2,500,000
Note payable to State of Florida, Department of Transportation for domestic terminal expansion, no interest, due September 2, 2009, unsecured.	6,000,000
Note payable to State of Florida, Department of Transportation for land acquisition for 9L-27R runway extension, no interest, due December 15, 2011, unsecured.	266,490
Note payable to State of Florida, Department of Transportation for land acquisition for 9L-27R runway extension, no interest, due January 15, 2012, unsecured.	250,000
	<u>19,908,776</u>
Less current portion	<u>(3,235,057)</u>
Long-term portion	<u>\$ 16,673,719</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 8 B. Discretely Presented Component Unit - Airport Authority Notes Payable

Changes in Airport Authority long-term debt for the year ended September 30, 2005 is as follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>	<u>Due Within One Year</u>
Notes Payable:					
Revenue Note, Series 2001A	\$ 3,302,030	\$ -	\$ (188,539)	\$ 3,113,491	\$ 3,113,491
Revenue Note, Series 2003	3,391,979	-	(113,184)	3,278,795	121,566
Florida Department of Transportation	<u>13,516,490</u>	<u>-</u>	<u>-</u>	<u>13,516,490</u>	<u>-</u>
Total Notes Payable	<u>\$ 20,210,499</u>	<u>\$ -</u>	<u>\$ (301,723)</u>	<u>\$ 19,908,776</u>	<u>\$ 3,235,057</u>

The Airport Authority's grant anticipation note payable has a variable interest rate; therefore, it is not practical to compute the future annual interest requirements on this note. The following is a summary of the future principal debt service requirements on Airport Authority notes payable:

<u>Fiscal Year Ending September 30,</u>	<u>Airport Authority Fund</u>
2006	\$ 3,235,057
2007	125,204
2008	7,131,115
2009	6,137,302
2010	143,781
2011-2015	1,343,811
2016-2020	1,041,845
2021-2023	<u>750,661</u>
	<u>\$ 19,908,776</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 9 - Long-Term Liabilities of the Discretely Presented Component Unit - Sanford CRA

A. Changes in Long-Term Liabilities – Sanford CRA

Changes in long-term for the Sanford CRA for the year ended September 30, 2005 are summarized as follows:

	<u>Balance October 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2005</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 5,550,000	\$ -	\$ (450,000)	\$ 5,100,000	\$ 480,000
CRA bank loan	2,069,959	-	(162,269)	1,907,690	165,000
Long-term liabilities	<u>\$ 7,619,959</u>	<u>\$ -</u>	<u>\$ (612,269)</u>	<u>\$ 7,007,690</u>	<u>\$ 645,000</u>

B. Revenue Bonds Payable

The Sanford CRA and the City Commission approved resolutions authorizing the issuance of Community Redevelopment Revenue Bonds, Series 1994A and Series 1994B not exceeding \$10,000,000, by the Community Redevelopment Agency.

On August 1, 1994, the Sanford CRA issued \$6,000,000 in Revenue Bonds, Series 1994A. Series 1994B Bonds totaling \$1,100,000 were issued October 18, 1994. Of the remaining \$2,900,000 of authorized but unissued bonds, \$1,200,000 have been canceled. A Redevelopment Trust Fund pursuant to Florida Statute 163.38 was established and the City pledged to pay an amount equal to 47.5% of the ad valorem tax increment in the development project area to the fund. The Sanford CRA was to utilize the sum of the incremental ad valorem taxes to pay the principal and interest on the bonds. The bonds were issued to finance the Redevelopment Plan to improve blighted areas within the City.

The Series 1994A Bonds bear interest at rates ranging from 4.80% to 6.00%, payable semi-annually on June 1 and December 1. Principal payments are payable on June 1 of each fiscal year as shown below. The Series 1994B bonds are comprised of a single term bond and bear interest at 9% with a maturity date of December 1, 2011, of which such payment is due only to the extent that the City has adequate legally available pledged revenues available to make the bond principal payment.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 9 B. Revenue Bonds Payable (Continued)

Fiscal Year Ending September 30,	Series 1994A		Series 1994B		Total
	Principal	Interest	Principal	Interest	
2006	\$ 480,000	\$ 240,000	\$ -	\$ 99,000	\$ 819,000
2007	510,000	211,200	-	99,000	820,200
2008	655,000	180,600	-	99,000	934,600
2009	695,000	141,300	-	99,000	935,300
2010	740,000	99,600	-	99,000	938,600
2011-2012	920,000	55,200	1,100,000	107,250	2,182,450
	<u>\$ 4,000,000</u>	<u>\$ 927,900</u>	<u>\$ 1,100,000</u>	<u>\$ 602,250</u>	<u>\$ 6,630,150</u>

C. Community Redevelopment Agency Loan

On September 28, 2004, the City and the Sanford CRA entered into a \$2,100,000 loan agreement with SunTrust Bank for the purpose of funding improvements related to the First Street Streetscape.

Loan principal payable	\$ 1,935,000
Less: Loan issue costs	<u>(27,310)</u>
Net loan payable	<u>\$ 1,907,690</u>

The CRA Loan will mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	\$ 165,000	\$ 67,532	\$ 232,532
2007	170,000	61,773	231,773
2008	175,000	55,840	230,840
2009	185,000	49,733	234,733
2010	190,000	147,802	337,802
2011-2015	1,050,000	112,378	1,162,378
	<u>\$ 1,935,000</u>	<u>\$ 495,058</u>	<u>\$ 2,430,058</u>

Note 10 - Airport Authority – Line of Credit

Line of credit - The Airport Authority entered into a line of credit agreement for \$1,500,000 with a financial institution in May 2001. This line of credit is secured by a pledge of landing fee revenue and bears interest at 0.75% under the bank's prime rate. The agreement expired May 29, 2004 and was renewed with no expiration date. The Airport Authority either pays a non-use fee of 0.25% of \$1,500,000 (\$3,750) or interest, if higher. At September 30, 2005, the outstanding balance was \$0. Therefore, the Airport Authority had available \$1,500,000 at September 30, 2005.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 10 - Airport Authority – Line of Credit (Continued)

The Airport Authority also has available a line of credit up to \$425,000, at prime rate, with Orlando Sanford Domestic, Inc. under the management agreement discussed in Note 15 E. The Airport Authority has not borrowed anything on this line of credit.

Note 11 - Interfund Accounts and Transfers

Individual fund Interfund receivables and payables at September 30, 2005 consist of the following:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 92
Police Pension	92	-
	<u>\$ 92</u>	<u>\$ 92</u>

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be repaid within twelve months.

Interfund Transfers:

	Transfers In:		
	Other Government	Stormwater	Total
Transfers Out:			
General Fund	\$ 550,794	\$ 337,705	\$ 888,499
Total	<u>\$ 550,794</u>	<u>\$ 337,705</u>	<u>\$ 888,499</u>

Transfers between the funds are used to fund various different activities of the City, such as the Riverwalk and the Stormwater system, through the use of cash collected in the General Fund.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 - Pension Plans and Postemployment Benefits Other than Pensions

A. Florida Retirement System

The City contributes to the Florida Retirement System (FRS), a multiple-employer cost sharing defined benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees, except police and fire. The Airport Authority also participates in the FRS. The State of Florida issues a publicly available report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, State of Florida, Tallahassee, Florida, 32399-1560.

FRS members are eligible for retirement after vesting, which occurs at six (6) years of creditable service for regular members. Normal retirement age is attained at the earlier of thirty (30) years of creditable service, regardless of age, or retirement at age sixty-two (62) with at least ten (10) years of creditable service. Early retirement may be taken anytime; however, there is a five percent (5%) benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

Funding Policy

The FRS has six (6) classes of membership. Only two (2) classes are applicable to the City's eligible employees. These two (2) classes, with descriptions and contribution rates in effect during the period ended September 30, 2005, are as follows (contribution rates are in agreement with the actuarially determined rates, each including an additional .94% health insurance subsidy contribution):

Regular Class - Members not qualifying for other classes (7.39% from 10/01/04 to 09/30/05). Four (4) employees qualified for DROP – Deferred Retirement Option Program (7.83% from 07/01/05 to 09/30/05).

Special Risk Class - Members employed as law enforcement officers, firefighters, or correctional officers (18.53% from 10/01/04 to 09/30/05). There are no City employees in this special risk category, only airport firefighters.

The contribution requirements of the City are established and may be amended by FRS. The plan is non-contributory for employees with all contributions being the obligation of the employer. The City's contributions to FRS for the years ended September 30, 2005, 2004 and 2003 were \$687,205, \$665,880 and \$554,244, respectively, and equal the required contributions for each year. The Airport Authority's contributions to FRS for the years ended September 30, 2005, 2004 and 2003 were \$242,542, \$236,754 and \$176,837, respectively, and equal the required contributions for each year.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 - Pension Plans and Postemployment Benefits Other than Pensions (Continued)

B. Police Officers' and Firefighters' Retirement System

The City participates in the Police Officers' and Firefighters' Retirement System. Each plan is a single-employer defined benefit pension plan for the sole benefit of the Police Officers' and Firefighters' of the City.

- (1) Plan Description - All full-time police officers and firefighters are eligible from date of employment to participate in the Police Officers' and Firefighters' plans. A member's normal retirement date shall be the first day of the month coincident with, or the next following attainment of age fifty-five (55) for police officers and firefighters, and the completion of ten (10) years of credited service or the completion of twenty-five (25) years of credited service.

A member may retire on his normal retirement date or on the first day of any month thereafter, and each member shall become 100% vested in his accrued benefit on the member's normal retirement date.

Normal retirement under the system is retirement from employment with the City on or after the normal retirement date. The monthly retirement benefit shall equal 3.50% and 3.08% of average final compensation, defined as the highest five (5) years of salary paid during the last ten (10) years of covered employment, for each year of credited service for police officers and firefighters, respectively.

Sanford Airport Authority firefighters who retire at the earlier of age fifty-five (55) and ten (10) years of credited service or twenty-five (25) years of credited service, regardless of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their average final compensation, defined as the highest five (5) years of salary paid during covered employment, for each year of credited service.

In addition, all of the City's pension plans provide death and disability benefits. These benefits and other requirements are established by State Statute and City ordinance.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 B. Police Officers' and Firefighters' Retirement System (Continued)

- (2) Contributions - The City's funding policy provides for actuarially determined periodic contributions to the plans. The required contributions include normal costs (after deducting expected employee contributions, if applicable) and the amount of the additional unfunded obligations, amortized over thirty (30) years, created due to increases in plan benefits. Employer contribution rates are determined using the frozen entry age actuarial cost method. The City contributed \$823,011 and \$440,254 to the Police Officers Retirement System and Firefighters Retirement System, respectively, during the year ended September 30, 2005.

The police officers are required to contribute 5.1% of their gross compensation (an additional five percent (5%) is paid by the City), and the firefighters are required to contribute seven (7%) of their base pay compensation (an additional five (5%) is paid by the City). Both of the plans also receive contributions from the State for insurance premium refunds. The State contributions are not based on covered payroll. The City is required to contribute the remaining amount necessary to pay the annual normal cost plus an amount sufficient to fund any unfunded accrued liability over twenty-five (25) years for police officers and thirty (30) years for firefighters.

- (3) Plan Membership - At September 30, 2005, membership of each plan consisted of the following:

	Police Officers	Firefighters
Retirees and beneficiaries receiving benefits	47	38
Active plan members	114	72
Total	161	110

- (4) Annual Pension Costs - Annual Pension Costs were as follows:

	2003	2004	2005
Police Officers' plan	\$ 627,453	\$ 717,309	\$ 823,011
Firefighters' plan	\$ 419,805	\$ 388,876	\$ 440,254

The percentage contribution for the police officers' and firefighters' retirement plans for each of the past three (3) years was at least one hundred percent (100%) of the Annual Pension Costs. Therefore, the retirement plans have had no net pension obligation at any of the September 30 year ends.

The Airport Authority Firefighters' plan was excluded from the above analysis as it was not considered material.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 B. Police Officers' and Firefighters' Retirement System (Continued)

- (5) The plans do not issue separate financial statements.
- (6) Costs of administering the Police Officers' and Firefighters pension plans are financed through investment earnings.
- (7) The following is a summary of actuarial methods and significant actuarial assumptions used in the latest actuarial valuations.

	<u>Police Officers'</u>	<u>Firefighters'</u>
Valuation date	10/1/2005	10/1/2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	27 years	26 years
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increase (including both cost of living and merit)	6.00%	6.00%
Inflation rate	3.00%	3.00%
Postretirement benefit increases	0.00%	0.00%

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 B. Police Officers' and Firefighters' Retirement System (Continued)

Pension trust fund financial statements

Financial statements for the Police Officers' Retirement System and Firefighters' Retirement System at September 30, 2005 and for the year then ended are as follows:

	<u>Police Officers'</u> <u>Retirement System</u>	<u>Firefighters'</u> <u>Retirement System</u>	<u>Total</u>
Assets			
Investments, at fair value:			
Money market funds	\$ 776,805	\$ 422,605	\$ 1,199,410
Equity securities, individual stocks and mutual funds	12,785,515	8,825,974	21,611,489
Mutual funds investing in corporate and U.S. Treasury bonds	<u>6,921,844</u>	<u>3,755,218</u>	<u>10,677,062</u>
Total investments	20,484,164	13,003,797	33,487,961
Due from other funds	92	-	92
Due from fiscal agent	47	192	239
Due from other governments	-	15,408	15,408
Total assets	<u>20,484,303</u>	<u>13,019,397</u>	<u>33,503,700</u>
Liabilities			
Accounts payable	<u>24,279</u>	<u>18,533</u>	<u>42,812</u>
Total liabilities	<u>24,279</u>	<u>18,533</u>	<u>42,812</u>
Net assets			
Held in trust for pension benefits	<u>\$ 20,460,024</u>	<u>\$ 13,000,864</u>	<u>\$ 33,460,888</u>

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 B. Police Officers' and Firefighters' Retirement System (Continued)

	<u>Police Officers'</u> <u>Retirement System</u>	<u>Firefighters'</u> <u>Retirement System</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 823,011	\$ 440,254	\$ 1,263,265
State	304,799	198,998	503,797
Plan members and others	255,726	195,213	450,939
Total contributions	<u>1,383,536</u>	<u>834,465</u>	<u>2,218,001</u>
Investment earnings:			
Net increase in fair value of investments	1,514,483	563,759	2,078,242
Dividends	238,368	116,500	354,868
Interest	310,024	4,453	314,477
Total investment earnings	<u>2,062,875</u>	<u>684,712</u>	<u>2,747,587</u>
Less investment expenses	<u>82,987</u>	<u>61,077</u>	<u>144,064</u>
Net investment earnings	1,979,888	623,635	2,603,523
Miscellaneous income	122	4,979	5,101
Total additions	<u>3,363,546</u>	<u>1,463,079</u>	<u>4,826,625</u>
Deductions			
Benefits	1,138,897	868,887	2,007,784
Refunds of contributions	77,357	12,601	89,958
Other services and charges	31,055	25,104	56,159
Total deductions	<u>1,247,309</u>	<u>906,592</u>	<u>2,153,901</u>
Change in net assets	2,116,237	556,487	2,672,724
Total net assets - beginning	<u>18,343,787</u>	<u>12,444,377</u>	<u>30,788,164</u>
Total net assets - ending	<u>\$ 20,460,024</u>	<u>\$ 13,000,864</u>	<u>\$ 33,460,888</u>

C. Post-employment Benefits other than Pensions

The City's resolutions and ordinances allow employees who have retired to continue their life and health insurance benefits, and a portion of the cost, in an amount determined by City management, is borne by the City. The City pays, up to age sixty-five (65), health insurance benefits for employees retiring after October 1, 1991, with twenty-five (25) or more years of service. The City pays the health benefits of employees who retired prior to October 1, 1991, for the remainder of their lives. The City pays the life insurance benefits for retired employees who retired after October 1, 1991, with the level of the benefit being delineated as \$3,000 term life. Expenditures for these insurance premiums, which are recognized when paid, were recorded in the General and Water and Sewer Funds in the amounts of \$286,173 and \$17,194, respectively, for the year ended September 30, 2005 for 90 retirees receiving health insurance and 125 receiving life insurance.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 12 C. Post-employment Benefits other than Pensions (Continued)

The nature of the plan is such that no formal trust fund exists. The plan pays premiums to an insurance company that maintains no assets or liabilities in the name of the City or on the City's behalf.

Note 13 - Deferred Compensation Plan

The City and the Airport Authority each have separate deferred compensation plans, created in accordance with Internal Revenue Code Section 457, in which all employees are eligible to participate. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed limits established by the Internal Revenue Service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City and Airport Authority have each placed the assets of the plans in trust with a third-party administrator and as such are not recorded in the financial records of either organization.

Note 14 - Risk Management

Primary Government

The City accounts for its risk management activities in an internal service fund that includes self-insurance programs for workers' compensation, general liability, property, auto and, effective October 1, 2004, employee healthcare. The City has made the decision to retain up to \$200,000 per incident relating to workers' compensation. Coverage in excess of \$200,000 per incident for workers' compensation has been purchased from an outside carrier. All other liability and property damage insurance is obtained through insurance carriers with a \$25,000 deductible for general liability claims per occurrence and an aggregate stop loss that varies by line-of-coverage for all types of claims for fiscal year 2005. Employee healthcare exposure is subject to aggregate maximum limitations. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the City's insurance coverage for each of the past three (3) fiscal years.

The City utilizes the expertise of the plan administrator in determining the liability for claims incurred and other related costs on a claim-by-claim basis.

**CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005**

Note 14 - Risk Management (Continued)

The changes in the City's claims liability during the years ended September 30, 2004 and 2005 were as follows:

	<u>Balance at Fiscal Year Beginning</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2003 - 2004	\$ 1,096,237	\$ 1,091,625	\$ (1,086,969)	\$ 1,100,893
2004 - 2005	\$ 1,100,893	\$ 1,079,592	\$ (487,290)	\$ 1,693,195

Airport Authority

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Airport Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three (3) years.

Note 15 - Commitments and Contingencies

Primary Government

- A. Various suits and claims arising in the ordinary course of the City's operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the City's financial position and/or that the City has sufficient insurance coverage to cover any claims.
- B. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, any such adjustments would not be significant.
- C. The City has various construction contracts outstanding in the Governmental Funds and Enterprise Funds, commitments on which amount to \$11,538,375 at September 30, 2005.

Airport Authority

- D. The Airport Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Airport Authority's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Airport Authority.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 15 - Commitments and Contingencies (Continued)

- E. During the year ended September 30, 2001, the Domestic Terminal project was completed. In concert with the design and construction of the domestic terminal expansion, the Airport Authority entered into a Memorandum of Understanding with TBI, plc to negotiate a thirty (30) year management contract for the domestic terminal in exchange for their private sector investment into the project of \$7,500,000. TBI, plc's United States corporation, known as Orlando Sanford Domestic (OSD), will manage all operations involving the domestic terminal. The contractual agreement provides for five (5) fixed annual lump sum payments to the Airport Authority as well as additional minimum operation payments to the Airport Authority for years one through thirty (1 - 30) in exchange for the revenues generated by the operation of the domestic terminal. The Airport Authority will also participate in a percentage of gross revenues generated from the operation of the domestic terminal should those amounts exceed the agreed upon revenue thresholds. Additionally, many expenses and liabilities associated with the operation of the domestic terminal will be removed from the Airport Authority and transferred to OSD.

- F. At the end of fiscal year September 30, 2005, the Airport Authority had entered into construction contracts in the amount of \$14,600,000.

- G. The Airport Authority receives a significant amount of other revenue under several Federal and State grant programs. These programs are subject to compliance audits as required by the Federal government and the State of Florida. The amount, if any, of expenditures, which may be disallowed, is not determinable at this time.

- H. The Airport Authority has identified several sites that have environmental issues on airport property. The State of Florida and the United States Navy is responsible for cleaning up the majority of these sites. At this time the Airport Authority is unable to determine the cost and their responsibility in the clean-up of these sites. The Airport Authority is pursuing all possible remedies to mitigate any contamination.

Note 16 - Conduit Debt Obligations

From time to time, the Airport Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for construction of aviation related facilities on the airport's premises. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, Seminole County, the City of Sanford or the State of Florida, and accordingly, have not been reported in the accompanying financial statements. As of September 30, 2005, there was one (1) series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$26,710,000.

CITY OF SANFORD, FLORIDA
Notes to Financial Statements
Year Ended September 30, 2005

Note 17 - Component unit - Sanford CRA

Condensed financial statement information related to the Sanford CRA as of and for the year ended September 30, 2005 is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Condensed Balance Sheet:					
Cash and cash equivalents	\$ 870,626	\$ -	\$ 870,626	\$ -	\$ 870,626
Due from other governments	2,091	-	2,091	-	2,091
Capital assets - depreciable	-	-	-	2,648,336	2,648,336
Total Assets and Other Debits	<u>\$ 872,717</u>	<u>\$ -</u>	<u>\$ 872,717</u>	<u>\$ 2,648,336</u>	<u>\$ 3,521,053</u>
Accounts payable	\$ 9,088	\$ -	\$ 9,088	\$ -	\$ 9,088
Accrued interest payable	-	-	-	85,628	85,628
Bonds payable	-	-	-	5,100,000	5,100,000
Loan payable	-	-	-	1,907,690	1,907,690
Fund Balance/ Net Assets - Unrestricted	<u>863,629</u>	<u>-</u>	<u>863,629</u>	<u>(4,444,982)</u>	<u>(3,581,353)</u>
Total Liabilities and Fund Balances	<u>\$ 872,717</u>	<u>\$ -</u>	<u>\$ 872,717</u>	<u>\$ 2,648,336</u>	<u>\$ 3,521,053</u>
Condensed Revenues, Expenditures and Changes in Fund Balances:					
Statement of Activities					
Revenues:					
Taxes	\$ 811,134	\$ -	\$ 811,134	\$ -	\$ 811,134
Interest	43,742	-	43,742	-	43,742
Contributions	645,140	-	645,140	-	645,140
Total revenues	<u>1,500,016</u>	<u>-</u>	<u>1,500,016</u>	<u>-</u>	<u>1,500,016</u>
Expenditures/Expenses:					
General government	4,726	-	4,726	-	4,726
Transportation	1,898,710	-	1,898,710	(1,825,322)	73,388
Economic environment	17,276	-	17,276	-	17,276
Culture/Recreation	96,645	-	96,645	(89,923)	6,722
Principal retirement	-	615,000	615,000	(615,000)	-
Interest and fiscal charges	-	332,994	332,994	(41)	332,953
Total expenditures	<u>2,017,357</u>	<u>947,994</u>	<u>2,965,351</u>	<u>(2,530,286)</u>	<u>435,065</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(517,341)	(947,994)	(1,465,335)	2,530,286	1,064,951
Other Financing Sources (Uses):					
Operating transfers (out) in	(947,994)	947,994	-	-	-
Total Other Financing Sources (Uses)	<u>(947,994)</u>	<u>947,994</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,465,335)	-	(1,465,335)	2,530,286	1,064,951
Fund Balances / Net Asset Deficit October 1, 2004	<u>2,328,964</u>	<u>-</u>	<u>2,328,964</u>	<u>(6,975,268)</u>	<u>(4,646,304)</u>
Fund Balances, September 30, 2005	<u>\$ 863,629</u>	<u>\$ -</u>	<u>\$ 863,629</u>	<u>\$ (4,444,982)</u>	<u>\$ (3,581,353)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 18,022,459	\$ 18,307,459	\$ 19,164,566	\$ 857,107
Licenses and permits	1,265,600	1,265,600	1,564,134	298,534
Intergovernmental revenues	4,174,933	5,420,378	11,336,986	5,916,608
Charges for services	4,717,280	5,075,914	5,536,651	460,737
Fines and forfeitures	217,500	217,500	223,849	6,349
Contributions	5,000	64,140	38,922	(25,218)
Interest	210,000	210,000	510,889	300,889
Administrative services	1,160,279	1,060,279	1,060,279	-
Miscellaneous revenue	118,785	247,415	654,821	407,406
Total revenues	<u>29,891,836</u>	<u>31,868,685</u>	<u>40,091,097</u>	<u>8,222,412</u>
Expenditures				
Current:				
General government	3,943,914	5,585,371	5,586,590	(1,219)
Public safety	15,192,361	17,032,344	16,578,535	453,809
Transportation	2,674,633	3,552,967	3,471,350	81,617
Physical environment	2,987,100	3,151,517	2,954,124	197,393
Economic environment	136,500	158,964	89,465	69,499
Human services	271,450	275,326	149,792	125,534
Culture/Recreation	3,498,121	4,536,272	4,268,415	267,857
Total expenditures	<u>28,704,079</u>	<u>34,292,761</u>	<u>33,098,271</u>	<u>1,194,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,187,757</u>	<u>(2,424,076)</u>	<u>6,992,826</u>	<u>9,416,902</u>
Other financing sources (uses)				
Transfers out	<u>(670,212)</u>	<u>(888,499)</u>	<u>(888,499)</u>	<u>-</u>
Total other financing sources (uses)	<u>(670,212)</u>	<u>(888,499)</u>	<u>(888,499)</u>	<u>-</u>
Net change in fund balances	517,545	(3,312,575)	6,104,327	9,416,902
Fund balance - beginning	<u>10,123,507</u>	<u>10,123,507</u>	<u>10,123,507</u>	<u>-</u>
Fund balance - ending	<u>\$ 10,641,052</u>	<u>\$ 6,810,932</u>	<u>\$ 16,227,834</u>	<u>\$ 9,416,902</u>

CITY OF SANFORD, FLORIDA
Schedule of Funding Progress
Defined Benefit Pension Trust Funds
Year Ended September 30, 2005

<u>Actual Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL) Frozen Entry Age</u>	<u>Actuarial Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as Percentage of Covered Payroll</u>
Police Officers' Retirement System						
10/01/2000	\$ 19,432,369	\$ 21,244,881	\$ 1,812,512	91.47%	\$ 3,194,472	56.74%
10/01/2001	\$ 20,032,657	\$ 21,642,332	\$ 1,609,675	92.56%	\$ 3,612,283	44.56%
10/01/2002	\$ 18,269,767	\$ 20,296,277	\$ 2,026,510	90.02%	\$ 3,853,643	52.59%
10/01/2003	\$ 19,272,243	\$ 22,146,557	\$ 2,874,314	87.02%	\$ 4,167,079	68.98%
10/01/2004	\$ 19,095,103	\$ 24,090,829	\$ 4,995,726	79.26%	\$ 4,470,513	111.75%
10/01/2005	\$ 19,833,502	\$ 25,263,134	\$ 5,429,632	78.51%	\$ 4,468,502	121.51%
Firefighters' Retirement System						
10/01/2000	\$ 12,268,181	\$ 14,313,055	\$ 2,044,874	85.71%	\$ 2,050,682	99.72%
10/01/2001	\$ 12,611,092	\$ 14,613,575	\$ 2,002,483	86.30%	\$ 2,107,190	95.03%
10/01/2002	\$ 12,610,665	\$ 14,710,733	\$ 2,100,068	85.72%	\$ 2,460,554	85.35%
10/01/2003	\$ 12,727,078	\$ 15,672,231	\$ 2,945,153	81.21%	\$ 2,466,177	119.42%
10/01/2004	\$ 12,805,517	\$ 16,372,831	\$ 3,567,314	78.21%	\$ 2,540,193	140.43%
10/01/2005	\$ 13,209,266	\$ 17,624,713	\$ 4,415,447	74.95%	\$ 2,781,577	158.74%

CITY OF SANFORD, FLORIDA

**Schedule of Contributions from the City and Other Contributing Entities
Defined Benefit Pension Trust Funds
Year Ended September 30, 2005**

<u>Year Ended September 30,</u>	<u>Annual Required City Contribution</u>	<u>Actual City Contribution</u>	<u>Percentage of Requirement Contributed</u>	<u>Additional State Contribution</u>
Police Officers' Retirement System				
2000	\$ 165,216	\$ 313,029	189.47%	\$ 155,028 *
2001	\$ 174,653	\$ 362,475	207.54%	\$ 157,123 *
2002	\$ 359,349	\$ 387,734	107.90%	\$ 163,847 *
2003	\$ 627,348	\$ 627,453	100.02%	\$ 163,847 *
2004	\$ 717,309	\$ 717,309	100.00%	\$ 163,847 *
2005	\$ 822,950	\$ 823,011	100.01%	\$ 174,728 *
Firefighters' Retirement System				
2000	\$ 154,763	\$ 207,895	134.33%	\$ 115,162 *
2001	\$ 197,915	\$ 213,689	107.97%	\$ 125,840 *
2002	\$ 289,051	\$ 289,051	100.00%	\$ 125,840 *
2003	\$ 419,804	\$ 419,805	100.00%	\$ 125,840 *
2004	\$ 388,876	\$ 388,876	100.00%	\$ 125,840 *
2005	\$ 408,449	\$ 440,254	107.79%	\$ 153,653 *

* Frozen per Chapter 185, Florida Statutes, as amended.

CITY OF SANFORD, FLORIDA
Combining and Individual Funds Statements and Schedules

Combining Financial Statements provide a more detailed view of summarized information in the "Basic Financial Statements."

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,937,053	\$ 148,591	\$ 3,085,644
Accounts receivable - net	220	-	220
Due from other governments	163,856	37,332	201,188
Total assets	\$ 3,101,129	\$ 185,923	\$ 3,287,052
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 80,090	\$ 2,936	\$ 83,026
Accrued liabilities	2,158	-	2,158
Total liabilities	82,248	2,936	85,184
Fund balances:			
Capital project funds	-	131,277	131,277
Reserved	-	51,710	51,710
Undesignated	3,018,881	-	3,018,881
Total fund balances	3,018,881	182,987	3,201,868
Total liabilities and fund balances	\$ 3,101,129	\$ 185,923	\$ 3,287,052

CITY OF SANFORD, FLORIDA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2005**

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 993,745	\$ -	\$ -	\$ 993,745
Intergovernmental revenues	556,155	-	464,603	1,020,758
Fines and forfeitures	64,616	-	-	64,616
Impact fees	386,490	-	-	386,490
Interest earnings	60,868	-	1,955	62,823
Miscellaneous revenue	32,256	-	-	32,256
Total revenues	2,094,130	-	466,558	2,560,688
Expenditures				
Current:				
Public safety	89,694	-	-	89,694
Transportation	398,449	-	-	398,449
Economic environment	538,574	-	-	538,574
Culture/Recreation	985	-	-	985
Capital outlay	760,349	-	344,571	1,104,920
Principal	-	95,000	-	95,000
Interest and fiscal charges	-	76,860	-	76,860
Total expenditures	1,788,051	171,860	344,571	2,304,482
Excess (deficiency) of revenues over (under) expenditures	306,079	(171,860)	121,987	256,206
Other financing sources (uses)				
Transfers in	378,934	171,860	-	550,794
Total other financing sources (uses)	378,934	171,860	-	550,794
Net change in fund balances	685,013	-	121,987	807,000
Fund balance - beginning	2,333,868	-	61,000	2,394,868
Fund balance - ending	\$ 3,018,881	\$ -	\$ 182,987	\$ 3,201,868

CITY OF SANFORD, FLORIDA
Nonmajor Special Revenue Funds

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources which, by law, are designated to finance particular functions or activities of government. The City has the following Special Revenue Funds:

Police Education:

To account for that portion of fines on certain violations, per statute, to fund continuing education for police officers.

Law Enforcement Trust Fund:

To account for proceeds obtained through forfeiture of confiscated and unclaimed property through court judgment. The proceeds are to be used solely for law enforcement purposes, with emphasis given to community policing activities, training & law enforcement operations.

Local Option Gas Tax Fund:

To account for the City's allocation of the 6-cent local option gas tax collected in Seminole County and the expenditures used for the additions to or maintenance of the City's transportation system.

Other Grants Fund:

To account for grants received by the City as a subgrantee, Grant proceeds are utilized to provide rehabilitation improvements to blighted areas of the City.

Cemetery:

To account for certain funds set aside to be used for capital improvements and perpetual care of a local cemetery.

Recreation Facilities Impact Fees Fund, Fire Public Safety Facilities Impact Fees Fund and Police Public Safety Facilities Impact Fees Fund:

To account for impact fees collected by the City to be used solely for the expansion or acquisition of capital facilities or equipment made necessary by the new construction from which the fees were collected or for principal payments (including sinking fund payments) on bonds to expand or acquire such facilities or equipment.

CITY OF SANFORD, FLORIDA
Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2005

	Police Education	Law Enforcement Trust	Local Option Gas Tax	Other Grants	Cemetery	Recreation Facilities Impact Fees	Fire Public Safety Facilities Impact Fees	Police Public Safety Facilities Impact Fees	Total Nonmajor Special Revenue Funds
Assets									
Cash and cash equivalents	\$ 78	\$ 176,432	\$ 541,005	\$ 12,216	\$ 515,156	\$ 987,570	\$ 187,448	\$ 517,148	\$ 2,937,053
Accounts receivable - net	69	8	116	12	-	8	2	5	220
Due from other governments	1,236	172	82,069	80,379	-	-	-	-	163,856
Total assets	\$ 1,383	\$ 176,612	\$ 623,190	\$ 92,607	\$ 515,156	\$ 987,578	\$ 187,450	\$ 517,153	\$ 3,101,129
Liabilities and fund balances									
Liabilities:									
Accounts payable	\$ 117	\$ 98	\$ 35,123	\$ 42,211	\$ -	\$ 847	\$ 847	\$ 847	\$ 80,090
Accrued liabilities	-	-	-	2,158	-	-	-	-	2,158
Total liabilities	117	98	35,123	44,369	-	847	847	847	82,248
Fund balances:									
Undesignated	1,266	176,514	588,067	48,238	515,156	986,731	186,603	516,306	3,018,881
Total fund balances	1,266	176,514	588,067	48,238	515,156	986,731	186,603	516,306	3,018,881
Total liabilities and fund balances	\$ 1,383	\$ 176,612	\$ 623,190	\$ 92,607	\$ 515,156	\$ 987,578	\$ 187,450	\$ 517,153	\$ 3,101,129

CITY OF SANFORD, FLORIDA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended September 30, 2005

	Police Education	Law Enforcement Trust	Local Option Gas Tax	Other Grants	Cemetery	Recreation Facilities Impact Fees	Fire Public Safety Facilities Impact Fees	Police Public Safety Facilities Impact Fees	Total Nonmajor Special Revenue Funds
Revenues									
Taxes	\$ -	\$ -	\$ 993,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 993,745
Intergovernmental revenues	-	-	-	556,155	-	-	-	-	556,155
Fines and forfeitures	15,194	49,422	-	-	-	-	-	-	64,616
Impact fees	-	-	-	-	-	194,329	56,842	135,319	386,490
Interest earnings	516	4,284	13,916	991	-	17,722	5,066	18,373	60,868
Miscellaneous revenue	68	-	3,388	-	28,800	-	-	-	32,256
Total revenues	<u>15,778</u>	<u>53,706</u>	<u>1,011,049</u>	<u>557,146</u>	<u>28,800</u>	<u>212,051</u>	<u>61,908</u>	<u>153,692</u>	<u>2,094,130</u>
Expenditures									
Current:									
Public safety	38,729	41,192	-	-	-	-	8,786	987	89,694
Transportation	-	-	398,449	-	-	-	-	-	398,449
Economic environment	-	-	-	538,574	-	-	-	-	538,574
Culture/Recreation	-	-	-	-	-	985	-	-	985
Capital outlay	-	3,795	499,549	-	-	-	29,124	227,881	760,349
Total expenditures	<u>38,729</u>	<u>44,987</u>	<u>897,998</u>	<u>538,574</u>	<u>-</u>	<u>985</u>	<u>37,910</u>	<u>228,868</u>	<u>1,788,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,951)</u>	<u>8,719</u>	<u>113,051</u>	<u>18,572</u>	<u>28,800</u>	<u>211,066</u>	<u>23,998</u>	<u>(75,176)</u>	<u>306,079</u>
Transfers in	-	-	-	-	-	378,934	-	-	378,934
Total other financing sources (uses)	-	-	-	-	-	378,934	-	-	378,934
Net change in fund balances	<u>(22,951)</u>	<u>8,719</u>	<u>113,051</u>	<u>18,572</u>	<u>28,800</u>	<u>590,000</u>	<u>23,998</u>	<u>(75,176)</u>	<u>685,013</u>
Fund balance - beginning	<u>24,217</u>	<u>167,795</u>	<u>475,016</u>	<u>29,666</u>	<u>486,356</u>	<u>396,731</u>	<u>162,605</u>	<u>591,482</u>	<u>2,333,868</u>
Fund balance - ending	<u>\$ 1,266</u>	<u>\$ 176,514</u>	<u>\$ 588,067</u>	<u>\$ 48,238</u>	<u>\$ 515,156</u>	<u>\$ 986,731</u>	<u>\$ 186,603</u>	<u>\$ 516,306</u>	<u>\$ 3,018,881</u>

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2005**

	Police Education		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	12,500	15,194	2,694
Impact Fees	-	-	-
Interest	750	516	(234)
Miscellaneous revenue	-	68	68
Total revenues	<u>13,250</u>	<u>15,778</u>	<u>2,528</u>
Expenditures			
Current:			
Public safety	50,750	38,729	12,021
Transportation	-	-	-
Culture/Recreation	-	-	-
Total expenditures	<u>50,750</u>	<u>38,729</u>	<u>12,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,500)</u>	<u>(22,951)</u>	<u>14,549</u>
Net change in fund balances	(37,500)	(22,951)	14,549
Fund balance - beginning	<u>24,217</u>	<u>24,217</u>	<u>-</u>
Fund balance - ending	<u>\$ (13,283)</u>	<u>\$ 1,266</u>	<u>\$ 14,549</u>

Law Enforcement Trust			Local Option Gas Tax		
Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ 1,185,819	\$ 993,745	\$ (192,074)
-	49,422	49,422	-	-	-
-	-	-	-	-	-
1,370	4,284	2,914	5,000	13,916	8,916
-	-	-	9,084	3,388	(5,696)
<u>1,370</u>	<u>53,706</u>	<u>52,336</u>	<u>1,199,903</u>	<u>1,011,049</u>	<u>(188,854)</u>
120,470	44,987	75,483	-	-	-
-	-	-	878,092	897,997	(19,905)
-	-	-	-	-	-
<u>120,470</u>	<u>44,987</u>	<u>75,483</u>	<u>878,092</u>	<u>897,997</u>	<u>(19,905)</u>
(119,100)	8,719	127,819	321,811	113,052	(208,759)
(119,100)	8,719	127,819	321,811	113,052	(208,759)
167,795	167,795	-	475,017	475,017	-
<u>\$ 48,695</u>	<u>\$ 176,514</u>	<u>\$ 127,819</u>	<u>\$ 796,828</u>	<u>\$ 588,069</u>	<u>\$ (208,759)</u>

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended September 30, 2005**

	Cemetary		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Impact Fees	-	-	-
Interest	-	-	-
Miscellaneous revenue	515,000	28,800	(486,200)
Total revenues	<u>515,000</u>	<u>28,800</u>	<u>(486,200)</u>
Expenditures			
Current:			
General Government	515,000	-	515,000
Public safety	-	-	-
Transportation	-	-	-
Culture/Recreation	-	-	-
Total expenditures	<u>515,000</u>	<u>-</u>	<u>515,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>28,800</u>	<u>28,800</u>
Net change in fund balances	-	28,800	28,800
Fund balance - beginning	<u>486,356</u>	<u>486,356</u>	<u>-</u>
Fund balance - ending	<u>\$ 486,356</u>	<u>\$ 515,156</u>	<u>\$ 28,800</u>

Recreation Facilities Impact Fees			Fire Public Safety Facilities Impact Fees		
Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
550,000	194,329	(355,671)	190,000	56,842	(133,158)
5,000	17,722	12,722	1,000	5,066	4,066
-	-	-	-	-	-
<u>555,000</u>	<u>212,051</u>	<u>(342,949)</u>	<u>191,000</u>	<u>61,908</u>	<u>(129,092)</u>
-	-	-	-	-	-
-	-	-	191,000	37,910	153,090
-	-	-	-	-	-
90,365	986	89,379	-	-	-
<u>90,365</u>	<u>986</u>	<u>89,379</u>	<u>191,000</u>	<u>37,910</u>	<u>153,090</u>
464,635	211,065	(253,570)	-	23,998	23,998
464,635	211,065	(253,570)	-	23,998	23,998
396,730	396,730	-	162,605	162,605	-
<u>\$ 861,365</u>	<u>\$ 607,795</u>	<u>\$ (253,570)</u>	<u>\$ 162,605</u>	<u>\$ 186,603</u>	<u>\$ 23,998</u>

CITY OF SANFORD, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
Nonmajor Special Revenue Funds
Year Ended September 30, 2005

	Police Public Safety Facilities Impact Fees		
	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Impact fees	620,000	135,319	(484,681)
Interest	6,000	18,373	12,373
Miscellaneous revenue	-	-	-
Total revenues	<u>626,000</u>	<u>153,692</u>	<u>(472,308)</u>
Expenditures			
Current:			
Public safety	626,000	228,867	397,133
Transportation	-	-	-
Culture/Recreation	-	-	-
Total expenditures	<u>626,000</u>	<u>228,867</u>	<u>397,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(75,175)</u>	<u>(75,175)</u>
Net change in fund balances	-	(75,175)	(75,175)
Fund balance - beginning	<u>591,483</u>	<u>591,483</u>	<u>-</u>
Fund balance - ending	<u>\$ 591,483</u>	<u>\$ 516,308</u>	<u>\$ (75,175)</u>

CITY OF SANFORD, FLORIDA
Nonmajor Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs:

Debt Service:

To account for and report on payment of principal, interest and related costs on Special Facilities Revenue Bonds.

CITY OF SANFORD, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended September 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Expenditures			
Debt service:			
Principal	\$ 95,000	\$ 95,000	\$ -
Interest and fiscal charges	76,860	76,860	-
Total expenditures	<u>171,860</u>	<u>171,860</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,860)</u>	<u>(171,860)</u>	<u>-</u>
Other financing sources (uses)			
Transfers in	<u>171,860</u>	<u>171,860</u>	<u>-</u>
Total other financing sources (uses)	<u>171,860</u>	<u>171,860</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF SANFORD, FLORIDA
Nonmajor Capital Projects Fund

The Capital Projects Fund is used to account for financial resources earmarked for the acquisition or construction of major capital facilities and other project-oriented activities (other than those financed by proprietary funds):

Riverwalk:

To account for financial resources earmarked for the construction for the Lake Monroe Riverwalk.

East-West Connector Construction:

To account for certain funds set aside for construction of the East-West Connector.

CITY OF SANFORD, FLORIDA
Balance Sheet
Nonmajor Capital Project Funds
September 30, 2005

	<u>Riverwalk Fund</u>	<u>East-West Connector Construction</u>	<u>Total Capital Projects Funds</u>
Assets			
Cash and cash equivalents	\$ 96,881	\$ 51,710	\$ 148,591
Due from other governments	37,332	-	37,332
Total assets	<u>\$ 134,213</u>	<u>\$ 51,710</u>	<u>\$ 185,923</u>
Fund balances			
Liabilities:			
Accounts payable	\$ 2,936	\$ -	\$ 2,936
Total liabilities	<u>2,936</u>	<u>-</u>	<u>2,936</u>
Fund balances:			
Capital project funds	131,277	-	131,277
Reserved	-	51,710	51,710
Total fund balances	<u>131,277</u>	<u>51,710</u>	<u>182,987</u>
Total liabilities and fund balances	<u>\$ 134,213</u>	<u>\$ 51,710</u>	<u>\$ 185,923</u>

CITY OF SANFORD, FLORIDA
Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended September 30, 2005

	Riverwalk Fund	East-West Connector Construction	Total Capital Projects Funds
Revenues			
Intergovernmental revenues	\$ 464,603	\$ -	\$ 464,603
Interest earnings	1,955	-	1,955
Total revenues	<u>466,558</u>	<u>-</u>	<u>466,558</u>
Expenditures			
Current:			
Capital outlay	344,571	-	344,571
Total expenditures	<u>344,571</u>	<u>-</u>	<u>344,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>121,987</u>	<u>-</u>	<u>121,987</u>
Other financing sources (uses)			
Net change in fund balances	121,987	-	121,987
Fund balance - beginning	<u>9,290</u>	<u>51,710</u>	<u>61,000</u>
Fund balance - ending	<u>\$ 131,277</u>	<u>\$ 51,710</u>	<u>\$ 182,987</u>

CITY OF SANFORD, FLORIDA
Statistical Section
Year Ended September 30, 2005

The Statistical Section consists of tables and charts designed to provide the reader with insights into the financial position of the City which are not readily apparent from the Financial Statements.

The following statistical tables recommended for inclusion by the Government Accounting Standards Board are not included for the reasons stated:

- A. Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per Capita - Last Ten Fiscal Years

During the past ten years, the City had no general bonded indebtedness.

- B. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures - Last Ten Fiscal Years

During the past ten years, the City had no general bonded indebtedness.

- C. Computation of Legal Debt Margin

Neither the Constitution of the State of Florida, the Florida Statutes, nor the Charter of the City sets a legal debt margin.

- D. Special Assessments Billing and Collection - Last Ten Fiscal Years

During the past ten years, the City had no Special Assessment Debt.

The following statistical tables include the primary government only.

TABLE I

CITY OF SANFORD, FLORIDA
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year	General Government	Public Safety	Transportation	Physical Environment	Economic Environment	Human Services	Culture/ Recreation	Capital Outlay	Debt Service	Total
1996	\$ 2,397	\$ 7,850	\$ 1,801	\$ -	\$ 645	\$ 2	\$ 2,193	\$ 1,741	\$ 971	\$ 17,600
1997	2,426	7,971	1,906	-	950	9	2,264	1,280	971	17,777
1998	2,903	9,008	1,928	-	1,349	8	2,519	1,065	609	19,389
1999	3,101	8,850	1,884	-	793	18	2,513	3,005	387	20,551
2000	3,610	9,348	2,237	2,628	417	73	2,671	2,527	304	23,815
2001	3,571	11,422	2,424	3,265	423	98	2,964	1,909	1,163	27,239
2002	3,906	12,784	3,369	3,036	659	223	3,214	3,087	172	30,450
2003	4,411	13,415	2,520	2,930	534	252	3,217	3,326	172	30,777
2004	4,284	14,246	2,538	2,974	383	260	3,198	7,056	172	35,111
2005	5,481	15,268	3,138	2,947	609	147	3,339	4,301	172	35,402

(1) Includes General, Special Revenue and Debt Service Funds.

CITY OF SANFORD, FLORIDA
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Total</u>
1996	\$ 10,881	\$ 661	\$ 3,796	\$ 601	\$ 314	\$ 1,502	\$ 17,755
1997	12,143	752	4,059	661	253	1,598	19,466
1998	12,623	713	4,695	1,006	270	1,762	21,069
1999	13,522	851	5,228	1,053	383	1,967	23,004
2000	14,276	1,081	4,230	4,067	285	2,819	26,758
2001	14,938	1,177	4,520	4,380	1,166	2,959	29,140
2002	15,793	827	4,757	4,516	331	1,849	28,073
2003	17,462	1,006	5,522	4,524	323	1,746	30,583
2004	18,616	1,490	5,177	4,979	331	2,586	33,179
2005	20,158	1,564	12,358	5,537	288	2,746	42,651

(1) Includes General, Special Revenue and Debt Service Funds.

TABLE IIA

CITY OF SANFORD, FLORIDA

General Governmental Tax Revenues by Source (1)

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Option Gas and Use Taxes</u>	<u>Franchise Fees</u>	<u>Utility Services</u>	<u>Other Taxes</u>	<u>Total</u>
1996	\$ 5,281	\$ 482	\$ 1,849	\$ 3,258	\$ 11	\$ 10,881
1997	6,243	570	1,901	3,414	15	12,143
1998	6,337	589	1,986	3,693	18	12,623
1999	6,492	846	2,315	3,858	11	13,522
2000	6,916	817	2,224	4,307	12	14,276
2001	7,256	808	2,603	4,252	19	14,938
2002	7,924	770	2,397	4,686	16	15,793
2003	8,855	1,050	2,477	5,072	7	17,461
2004	9,483	1,188	2,833	5,095	17	18,616
2005	10,265	1,279	3,091	5,523	-	20,158

(1) Includes General, Special Revenue and Debt Service Funds

CITY OF SANFORD, FLORIDA

Property Tax Levies and Collections (2)

Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collections (3)	Total Tax Collections	Collections As % of Current Levy
1995	1996	\$ 5,482,048	\$ 5,219,577	95.21%	\$ 61,807	\$ 5,281,384	96.34%
1996	1997	6,407,351	6,197,399	96.72%	46,104	6,243,503	97.44%
1997	1998	6,816,324	6,274,222	92.05%	62,933	6,337,155	92.97%
1998	1999	6,781,938	6,472,094	95.43%	19,775	6,491,869	95.72%
1999	2000	7,188,198	6,831,026	95.03%	84,672	6,915,698	96.21%
2000	2001	7,569,251	7,208,953	95.24%	46,767	7,255,720	95.86%
2001	2002	8,321,052	7,863,714	94.50%	60,457	7,924,171	95.23%
2002	2003	9,207,029	8,808,277	95.67%	46,371	8,854,648	96.17%
2003	2004	9,822,331	9,415,246	95.86%	67,644	9,482,890	96.54%
2004	2005	10,728,465	10,094,787	94.09%	170,532	10,265,319	95.68%

(1) Total assessed value times millage rate.

(2) Includes General Fund. 001-0000-311.10-00

(3) Includes General Fund. 001-0000-311.20-00

Source: "Annual Financial Report of Units of Local Government"

Table IV

CITY OF SANFORD, FLORIDA
Assessed and Estimated Actual Value of Taxable Property (1)
Last Ten Fiscal Years

(amounts expressed in thousands)

Tax Year	Fiscal Year	Real Property		Personal Property		Centrally Assessed Property (2)		Total		Ratio of Total Assessed to Total Estimated Actual Value
		Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	
1995	1996	\$ 664,468	\$ 686,434	\$ 131,296	\$ 135,636	\$ 1,161	\$ 1,199	\$ 796,925	\$ 823,269	96.80%
1996	1997	771,712	797,223	159,142	164,403	1,002	1,035	931,856	962,661	96.80%
1997	1998	810,040	810,040	179,625	179,625	1,671	1,671	991,336	991,336	100.00%
1998	1999	860,728	877,399	193,660	197,411	1,357	1,383	1,055,745	1,076,193	98.10%
1999	2000	921,760	929,194	204,173	205,820	2,264	2,282	1,128,197	1,137,296	99.20%
2000	2001	973,327	995,222	214,988	219,824	2,162	2,211	1,190,477	1,217,257	97.80%
2001	2002	1,091,830	1,117,533	236,505	242,073	1,911	1,956	1,330,246	1,361,562	97.70%
2002	2003	1,264,975	1,275,176	232,219	234,092	1,955	1,971	1,499,149	1,511,239	99.20%
2003	2004	1,349,546	1,381,316	248,862	254,721	3,678	3,764	1,602,086	1,639,801	97.70%
2004	2005	1,844,384	1,864,898	254,054	256,880	4,248	4,295	2,102,686	2,126,073	98.90%

(1) Source: "Certification of Taxable Value" as filed with the Seminole County Property Appraiser's Office.

(2) Centrally assessed property consists of railroad and telegraph systems assessed by the State of Florida.

Table V

CITY OF SANFORD, FLORIDA
Property Tax Rates - Direct and Overlapping Governments (1) (2)
Last Ten Fiscal Years

Tax Year	Fiscal Year	City of Sanford	Seminole County	Seminole County School Board	Other	Total
1995	1996	6.8759	5.3772	10.337	0.482	23.0721
1996	1997	6.8759	5.3889	10.3080	0.482	23.0548
1997	1998	6.8759	5.3625	10.0360	0.482	22.7564
1998	1999	6.8700	5.2813	9.9180	0.482	22.5513
1999	2000	6.7900	5.1159	9.5410	0.482	21.9289
2000	2001	6.7500	5.1072	9.3450	0.472	21.6742
2001	2002	6.6250	5.2197	9.1620	0.462	21.4687
2002	2003	6.5000	5.2075	9.0000	0.462	21.1695
2003	2004	6.4750	5.1899	8.7360	0.462	20.8629
2004	2005	6.3250	4.9989	8.1270	0.462	19.9129

(1) Source : Seminole County Tax Collector's Office and City of Sanford Finance Department

(2) Rates are stated as an amount per \$1,000 of assessment value.

TABLE VI

CITY OF SANFORD, FLORIDA

PRINCIPAL TAXPAYERS (1)

September 30, 2005

<u>Taxpayer Name</u>	<u>Business Name</u>	<u>Type of Business</u>	<u>2004 Assessed Value</u>	<u>2005 Assessed City Taxes</u>	<u>Percent of Total Assessed Taxes</u>
Seminole Towne Center, LP	Seminole Towne Center Mall	Shopping Center	\$ 96,720,761	\$ 611,759	4.55%
Central Florida Regional Hospital	Central Florida Regional Hospital	Hospital	33,455,462	211,606	1.57%
Wal-Mart Stores East	Wal-Mart Stores East - Inc.	Discount Store	28,620,896	181,027	1.35%
FL Power & Light	FL Power & Light	Utilities	26,816,682	169,616	1.26%
BellSouth	BellSouth	Telecommunications	23,976,044	151,648	1.13%
Plantation Lakes	Plantation Lakes LTD	Property Management	22,506,715	142,355	1.06%
Arbor Lakes Ltd.	Arbor Lakes Ltd.	Multi - Family Apartments	20,759,019	131,301	0.98%
Westlake Apartments LTD	Cardinal Cove	Multi - Family Apartments	19,189,279	121,372	0.90%
Unicell Paper Mills Inc.	Unicell Paper Mills Inc.	Pulp Paper Mills	18,964,107	119,948	0.89%
Colonial Realty LP	Colonial Realty LP	Retail Center	17,316,276	109,525	0.82%

(1) Source : Research conducted by the City of Sanford Finance Department from data supplied by the Seminole County Property Appraiser's Office. Does not necessarily reflect all or highest principal taxpayers.

TABLE VII

CITY OF SANFORD, FLORIDA

**Computation of Direct and Overlapping Debt
General Obligation Bonds
September 30, 2005**

<u>Jurisdiction</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Sanford</u>	<u>Amount Applicable to City of Sanford</u>
Overlapping :			
Seminole County School District (1) \$	0	8.82%	\$ 0
Seminole County Government (2)	30,000,000	8.82%	<u>2,646,000</u>
Total Debt Overlapping			<u>\$ 2,646,000</u>

(1) Source: Seminole County School Board

(2) Source: Seminole County Finance Department

TABLE VIII

CITY OF SANFORD, FLORIDA
Revenue Bond Coverage
Water and Sewer Bonds
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1) (4)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Basic Covenant Coverage
				Principal	Interest	Total	
1996	\$ 9,362,738	\$ 5,539,924	\$ 3,822,814	\$ 665,000	\$ 1,803,131	\$ 2,468,131	1.549
1997	9,851,873	5,362,477	4,489,396	695,000	1,774,301	2,469,301	1.818
1998	9,874,955	5,911,245	3,963,710	725,000	1,742,480	2,467,480	1.606
1999	10,278,860	5,929,803	4,349,057	755,000	1,708,180	2,463,180	1.766
2000	10,531,532	5,992,626	4,538,906	795,000	1,670,930	2,465,930	1.841
2001	10,927,894	6,314,436	4,613,458	840,000	1,630,335	2,470,335	1.868
2002	450,441	6,927,173	(6,476,732)	560,000	459,015	1,019,015	-6.356
2003	12,330,291	7,197,024	5,133,267	935,000	1,538,940	2,473,940	2.075
2004	13,242,221	7,928,953	5,313,268	920,000	1,055,770	1,975,770	2.689
2005	14,283,596	8,346,553	5,937,043	970,000	1,031,082	2,001,082	2.967

- (1) Gross revenues from water and sewer charges for services, plus interest income and service charges
- (2) Total operating expenses exclusive of depreciation, amortization of intangibles and non-recurring costs.
- (3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.
- (4) Does not include system development charges or pledged public service taxes which are allowable revenues to meet extended covenant requirements.

TABLE IX

CITY OF SANFORD, FLORIDA

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1996	35,279	9,345	3.3%
1997	35,529	9,388	3.1%
1998	36,274	9,533	2.6%
1999	37,327	9,523	2.8%
2000	38,974	10,771	3.3%
2001	40,435	10,782	3.6%
2002	43,251	11,957	5.9%
2003	44,549	12,450	5.1%
2004	46,078	13,326	3.8%
2005	49,252	14,060	3.6%

Source : (1) The Florida Legislative Office of Economic and Demographic Research.

(2) Seminole County School Board. Public schools are under the jurisdiction of the Seminole County School Board. This table reflects enrollment for public schools within the Sanford city limits.

(3) Florida Department of Labor and Employment Security, Division of Employment Security, Bureau of Labor Market Information.

TABLE X

CITY OF SANFORD, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Estimated Actual Value of Total Property (amount in thousands) (1)	Value of Construction Permits Issued (2)	Financial Institutions Deposits (amount in thousands) (3)
1996	\$ 823,269	\$ 49,669,055	\$ 2,058,040
1997	962,661	52,847,795	2,563,169
1998	991,336	60,347,667	2,638,247
1999	1,055,745	73,369,019	2,883,016
2000	1,128,197	128,430,376	2,942,999
2001	1,190,477	115,185,098	3,217,878
2002	1,330,246	51,845,838	3,686,984
2003	1,602,087	100,739,965	4,248,041
2004	1,777,280	172,119,173	4,784,515
2005	2,115,860	160,952,932	5,514,000

Source : (1) Seminole County Property Appraiser's Office.

(2) City of Sanford Building Department.

(3) Federal Deposit Insurance Corporation
Figures are for Seminole County.

TABLE XI

CITY OF SANFORD, FLORIDA

MISCELLANEOUS STATISTICS

September 30, 2005

Date of Incorporation	September 29, 1877
Form of Government	Commission / City Manager
Area	22 square miles
Miles of Streets	163
Fire Protection :	
Number of Fire Stations	3
Number of Firefighters and Officers	72
Police Protection :	
Number of Stations	5
Number of Sworn Officers	114
Municipal Water System :	
Number of Customers	16,256
Average Daily Consumption	6.6 MGD
Plant Capacity - All Plants	17.5 MGD
Deep Wells	20
Number of Fire Hydrants	1008
Municipal Sewer System :	
Number of Customers	14,856
Treatment Facility Capacity	7.3 MGD
Annual Average Flow	7.6 MGD
Municipal Stormwater System :	
Number of Customers	12,482
Building Permits Issued	6,879
Recreation and Culture :	
Number of Regional Parks	1
Number of Neighborhood Parks	36
Park Area - # of acres	342 acres
Number of Museums	1
Number of Books	3,621
Research Collection/Archives	55,000
City Employees	478

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sanford, Florida (the "City") (other than the Sanford Airport Authority) as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's (other than the Sanford Airport Authority) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate management letter dated June 29, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements (other than the Sanford Airport Authority) are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of City management, the City Commission, the State of Florida Office of the Auditor General and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, Florida
June 29, 2006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

Compliance

We have audited the compliance of the City of Sanford, Florida (the "City") (other than the Sanford Airport Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal awards programs for the year ended September 30, 2005. The City's major federal awards programs are identified in the summary of auditors' findings section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal awards programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal awards program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards programs for the year ended September 30, 2005.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal awards programs. In planning and performing our audit, we considered the City of Sanford, Florida's internal control (other than the Sanford Airport Authority) over compliance with requirements that could have a direct and material effect on a major federal awards program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all of the matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of City management, the City Commission, the State of Florida Office of the Auditor General and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, Florida
June 29, 2006

CITY OF SANFORD, FLORIDA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
Year Ended September 30, 2005

Part I. Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expresses unqualified opinions.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Awards Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on compliance for each major federal awards program expresses an unqualified opinion.
6. There were no audit findings relative to major federal awards programs.
7. The programs tested as major programs include the following:

Federal Programs	CFDA Number
U.S. Department of Energy	
Low Income Home Energy Assistance Program	93.568
U.S. Environmental Protection Agency	
State Revolving Loans	66.458
State Revolving Loans	66.468

CITY OF SANFORD, FLORIDA
Schedule of Findings and Questioned Costs -
Federal Awards Programs
Year Ended September 30, 2005

8. The threshold used to distinguish between Type A and Type B programs was \$300,000 for major federal awards programs.
9. The City of Sanford, Florida qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II. Findings Related to the Financial Statements

This section identifies reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. None are reported.

Part III. Findings and Questioned Costs for Major Federal Awards Programs

Finding Number	Finding	Questioned Costs
05-01	<p>U.S. Department of Environmental Protection State Revolving Loans, CFDA No. 66.468</p> <p><i>Statement of Condition:</i> During testing it was noted that costs related to a project denied by the Florida Department of Environmental Protection (FDEP) were incorrectly submitted for reimbursement. As a result, the City of Sanford received \$41,397 in loan funds that were not approved.</p> <p><i>Criteria:</i> Reimbursement requests should be for approved project costs only.</p> <p><i>Effect of Condition:</i> State Revolving Fund Loan draws included draws for a project that had been denied by FDEP.</p> <p><i>Cause of Condition:</i> The engineering firm contracted by the City of Sanford to compile the reimbursement request package to send to FDEP incorrectly included the costs for a project denied by FDEP.</p> <p><i>Recommendation:</i> We recommend that, when using outside firms to compile reimbursement requests, the City of Sanford carefully review the package in order to minimize the chance for erroneous submissions.</p>	\$41,397

CITY OF SANFORD, FLORIDA
Schedule of Findings and Questioned Costs -
Federal Awards Programs
Year Ended September 30, 2005

Finding Number	Finding	Questioned Costs
05-02	<p>U.S. Department of Environmental Protection State Revolving Loans, CFDA No. 66.468</p> <p><i>Statement of Condition:</i> During testing it was noted that the City of Sanford requested reimbursement for an easement purchase that was not acquired until after the reimbursement request was submitted.</p> <p><i>Criteria:</i> Reimbursement requests should be submitted after payment has been made.</p> <p><i>Effect of Condition:</i> Although the disbursement in question was ultimately made, the request for reimbursement occurred prior to the allowable submission date.</p> <p><i>Cause of Condition:</i> The engineering firm contracted by the City of Sanford to compile the reimbursement request package to send to FDEP incorrectly submitted the request in advance of the permitted date.</p> <p><i>Recommendation:</i> We recommend that, when using outside firms to compile reimbursement requests, the City of Sanford carefully review the package in order to minimize the chance for erroneous submissions.</p>	\$20,553

CITY OF SANFORD, FLORIDA
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Federal Awards Programs
Year Ended September 30, 2005

Prior Year Audit Findings:

There were no audit findings in the prior year independent auditors' reports which required corrective action.

Corrective Action Plan:

Following are corrective action plan responses to findings described on the Schedule of Findings and Questioned Costs:

Finding Number 05-01 - U.S. Department of Environmental Protection State Revolving Loans; CFDA No. 66.468. The City of Sanford concurs with the recommendation to carefully review the reimbursement requests on State Revolving Fund Loan draws. The Financial Services Department, in conjunction with the other departments of the City, have instituted a process to ensure that all requests for future draws are reviewed by the appropriate staff and compared to the approved projects prior to being submitted.

Finding Number 05-02 - U.S. Department of Environmental Protection State Revolving Loans; CFDA No. 66.458. The City of Sanford concurs with the recommendation to carefully review the reimbursement requests on State Revolving Fund Loan draws. The Financial Services Department, in conjunction with the other departments of the City, have instituted a process to ensure that all requests for future draws are reviewed by the appropriate staff and compared to the approved projects prior to being submitted.

CITY OF SANFORD, FLORIDA

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number/ Pass-Through Grantor's Number	Expenditures
U.S. Department of HUD			
HUD EDI Special Project -300 East First Street	14.246	B-03-SP-FL-0145	\$ 201,184
Passed through Seminole County-Community Development Block Program: CDBG Roosevelt Ave Phase II	14.218		122,593
Total Department of HUD			<u>323,777</u>
US Department of Energy			
Passed Through State Department of Community Affairs:			
LIHERP Low Income Emergency Home Repair Program	81.042	04-LE-35-06-69-02-030	48,845
LIHEAP Weatherization Assistance	81.042	04-LH-3R-06-69-02-030	34,745
WAP Weatherization Assistance	81.042	04-WX-00-06-69-02-530	21,353
WAP Weatherization Assistance	81.042	05-WX-5S-06-69-02-030	14,577
LIHEAP Low Income Home Energy Assistance Program	93.568	04-EA-4P-06-69-02-028	195,829
LIHEAP Low Income Home Energy Assistance Program	93.568	05-EA-5K-06-69-02-028	199,253
Total Department of Health and Human Services			<u>514,602</u>
US Department of Agriculture			
Passed through State Department of Education: Summer Food Service Program	10.559		3,214
Total Department of Agriculture			<u>3,214</u>
U.S. Department of Justice			
Bulletproof Vest Grant - FY 2004	16.607		7,991
COPS Homeland Security	16.710	2003-OMWX-0230	14,279
COPS Universal Hiring Program	16.710	2003-UMWX-0219	101,157
DEA Officer Reimbursement	16.580		15,684
Total Department of Justice			<u>139,111</u>
US Department of Transportation			
Passed through State of Florida Department of Transportation:			
Local Agency Agreement - South Park Sidewalk	20.205	FPN 410774-1-58-01	60,907
FHWA Emergency Relief Program	20.205	FM-419142-1-78-01	95,165
Total Department of Transportation			<u>156,072</u>
U.S. Environmental Protection Agency			
Passed through State of Florida Department of Environmental Protection:			
Financial Assistance Grant - SJRWMD	66.606	XP984497-98-01	258,338
State Revolving Fund Loan	66.458	SQ G12058624P	696,905
State Revolving Fund Loan	66.458	CS120-586220	4,456,258
State Revolving Fund Loan	66.458	DW5906010	5,710,785
Total Environmental Protection Agency			<u>11,122,286</u>
Total Expenditures of Federal Awards			<u>\$ 12,259,062</u>

City of Sanford, Florida
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended September 30, 2005

Note 1 – Reporting Entity

For reporting entity purposes, the Schedule of Federal Awards includes only the activities of the City of Sanford's primary government and not its discretely presented component units.

Note 2 – Summary of Significant Accounting Policies

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.



INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor, City Commissioners
and City Management
City of Sanford, Florida:

We have audited the financial statements of the City of Sanford (the "City"), as of and for the year ended September 30, 2005, and have issued our report thereon dated June 29, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 29, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(h)1) require that we address in the management letter, if not already addressed in the auditors' reports on internal controls over financial reporting and on compliance and other matters or on the schedule of findings and questioned costs, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no such matters reported in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.554(1)(h)2) state that a management letter shall have a statement as to whether or not the City complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the City, the results of our tests did not indicate that the City was in noncompliance with Section 218.415 regarding the investment of public funds.

The Rules of the Auditor General (Section 10.554(1)(h)3) require disclosure in the management letter of any recommendations to improve the City's management, accounting procedures, and internal controls. Such matters are noted on Appendix A.

The Rules of the Auditor General (Section 10.554(1)(h)4) require disclosure in the management letter of the following matters if not clearly inconsequential, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies,

shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. There were no such matters found.

The Rules of the Auditor General (Section 10.554(1)(h)5) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City was formed under Chapter 4511, laws of Florida (1893) and is subject to Chapter 165, Florida Statutes. The legal authority for component units is provided in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the City, the results of our tests did not indicate that the City met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the City's compliance with this requirement.

The Rules of the Auditor General (Section 10.554(1)(h)6.b.) state that a management letter shall include a statement as to whether or not the financial report filed with the Florida Department of Financial Services, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period and, if not, explanations of any significant differences. In connection with our audit of the City, the results of our tests indicate that the financial report, filed with the Department of Financial Services, is in agreement with the annual audited financial statements for the year ended September 30, 2005.

As required by the Rules of the Auditor General (Sections 10.554(1)(h)6.c. and 10.556), the scope of our audit included financial condition assessment procedures as of September 30, 2005. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our financial condition assessment procedures disclosed no deteriorating financial conditions.

This report is intended solely for the information and use of City management, the City Commission, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.

Chang, Behaert & Holland, L.L.P.

Orlando, Florida
June 29, 2006

CITY OF SANFORD, FLORIDA
Appendix A - Management Letter Comments
Year Ended September 30, 2005

Financial Services - Accounting Pronouncements with Near-Term Implementation Dates

Observation 05-01: The Governmental Accounting Standards Board has issued certain accounting standards that the City will be required to implement in fiscal 2006 and 2007. Following is a brief summary of the most significant of these standards, as they apply to the City:

Statement No 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, requires retroactive capitalization of major general infrastructure assets, as defined, acquired or constructed subsequent to fiscal 1979. This is a major undertaking, including participation by a number of departments and significant research as to roads and other construction projects. The required implementation date for the City is fiscal 2007.

Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, requires evaluation of capital assets for impairment when their service utility has declined significantly and unexpectedly and requires insurance recoveries associated with such impairments to be netted with the impairment loss. From the City's perspective, the primary consideration for this pronouncement is to have a mechanism in place to identify significant capital asset impairments, if applicable, and to properly account for insurance proceeds. The required implementation date for the City is fiscal 2006.

Statement No. 44, Economic Condition Reporting, provides additional guidance on the statistical section in order to make such sections more comparable among governmental units and to add new information based on reporting revisions prescribed by Statement 34. New requirements will include entity-wide trend information on net assets, changes in net assets, governmental fund balances and principal employers. New requirements will also provide more comprehensive debt information and notes to clarify information presented, while removing currently disclosed information such as special assessment levies and collections, construction activity and bank deposits. This standard will require research to develop certain statistical information and is effective for fiscal 2006

Recommendation: We recommend the City expedite the process of planning and gathering information for implementation of the standards described above. Of most importance, near-term efforts should focus on the determination of appropriate amounts of major general infrastructure assets to retroactively capitalize.

Management Response: Management concurs with the recommendations of the Auditor. The City will organize a committee of infrastructure related parties from various departments. An inventory plan, along with infrastructure valuation, will be constructed to address these issues. The timeline for implementation will begin July 31, 2006 and will be consummated in 90 to 120 days. This committee will also address the issue of Capital Asset Impairment.

To implement Statement No. 44, financial services staff will use the services of our financial advisors, our investment advisor, our bond counsel, as well as, our in-house Economic Development Director. Additionally, staff will attend various seminars and conduct research to develop economic and financial statistical information.

CITY OF SANFORD, FLORIDA
Appendix A - Management Letter Comments
Year Ended September 30, 2005

Financial Services - Capital Asset Accounting

Observation 05-02: The City updates its depreciation schedules for capital asset activity and reconciles capital asset activity to capital outlay expenditures subsequent to year end. This is a time consuming task which contributes to delays in the year end close out process. It would be beneficial to update the capital asset depreciation schedules and reconcile capital asset activity to capital outlay on a quarterly basis, thereby spreading the process over a period of time and facilitating the process at year end.

Recommendation: We recommend that all capital asset activity be reconciled and input to capital asset depreciation schedules on a quarterly basis.

Management Response: We concur with the Auditor's recommendation. During FY2006, we will have the assets inputted into the fixed asset module by fiscal year end and reconciliations completed by end of the 1st Quarter of FY2007. Further, we have plans for a software conversion to ensure all assets, whether Governmental or Proprietary, are being depreciated properly. An analysis to ensure the fixed asset module is in concurrence with the GMBA will be done. We have plans to implement a new Fixed Asset module during the 2nd Quarter of FY2007.

Policies and Procedures

Observation 05-03: The City does not have written policies and procedures for all functions performed within the Financial Services Department, Purchasing Department, and possibly other departments. Without written policies and procedures, employees could fail to efficiently and effectively perform functions of their job and training of employees may be compromised.

Recommendation: We recommend policies and procedures manuals be maintained by all departments.

Management Response: The Financial Services Department consists of the Finance Division, the Purchasing Division, the Risk Management Division and Information Technology Division. The Purchasing Division currently has a Purchasing Policy Manual. The Risk Management Division not only has a Safety Incentive Plan, but has recently implemented an Insurance and Claims Plan. The Information Technology Division has a 5 year Strategic Plan. The Finance Division currently has a Debt Management Policy and we are updating the Investment Policy. Under the direction of the Finance Director, the Financial Services Management team, made up of the Finance Manager, the Information Technology Manager and the Risk Manager will meet on a monthly basis to update and improve the existing policies and procedures.

Under the direction of the City Manager's office, the newly created Administrative Policy Manual is being developed for City wide departments.

Financial Services - Staffing

Observation 05-04: It was apparent that the recent reduction of accounting staff is putting a strain on the current staff to complete their responsibilities in a timely manner. For example, we noted that there was a significant increase in overtime, work backlog and time needed to close

CITY OF SANFORD, FLORIDA
Appendix A - Management Letter Comments
Year Ended September 30, 2005

year end books and records. The demands of daily operating activity, special projects and other Financial Services Department responsibilities clearly provide for additional personnel needs. The City is attempting to address these needs through recruiting efforts for a new Finance Director.

Recommendation: We recommend that management expeditiously move forward with addressing Financial Services Department personnel needs.

Management Response: The Human Resources Department, at the instruction of the City Manager, contracted with an outside employment firm to recruit a new Financial Services Director. The new Director will be on board July 31, 2006.

The City Commission approved a contract with a firm to perform a classification and pay study for the entire city staff. An important part of the plan is the addition of a senior accountant position in the Financial Services Department. The vacant accountant position was filled at the end of May. City Management is confident the Financial Services Department will be adequately staffed going into the new fiscal year beginning October 1, 2006. For FY2006/07, the City Manager has recommended adding two FTE's to the department.

Financial Services Staffing – Risk Management

Observation 05-05: The City is lessor under numerous building leases in the Sanford area. Insurance responsibilities associated with property under these leases are not readily known, providing for the possibility of property being uninsured and ambiguity as to the responsible party for insurance and repairs. The City is currently addressing these matters in relation to its lease of golf course facilities, which is one of numerous leases.

Recommendation: We recommend that the Director of Financial Services, through the risk management division, evaluate insurance aspects related to each of the City's outstanding leases in order to ensure insurance needs and responsibilities are adequately addressed. If tenants are responsible for insurance procurement, we recommend the City obtain proof of insurance as part of its lease arrangement.

Management's Response: City Management is updating the existing list of all outstanding leases. Our Risk Management division is collaborating with Management to ensure all necessary proofs of insurance have been received from the lessees.

Financial Services - Information Technology

Observation 05-06: The City does not currently have a fire suppression system, such as sprinkler equipment, fire and smoke detectors and fire extinguishers, to provide fire protection for its computer room. The absence of these protective mechanisms increases the risk of computer room damage and data loss.

Recommendation: We recommend the City purchase appropriate fire suppression equipment for the computer room.

CITY OF SANFORD, FLORIDA
Appendix A - Management Letter Comments
Year Ended September 30, 2005

Management's Response: The Information Technology Division has contracted with a firm to install the protective systems needed to provide fire protection for the computer room. Plans are also underway to purchase a generator in the event of power failure.